

Driving *a Difference*



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Driving *a Difference*

This global economic meltdown is yet another test of our mettle and core strengths but we are determined to emerge stronger and more competitive. We are keenly **Driving a Difference** by honing our collective skills, technology edge and talents to deliver even greater value to stakeholders.

Project Highlights

Projects delivered in 2008		Client	Yard
Jackups			
<i>WilBoss</i>	KFELS B Class	Awilco	Keppel FELS
<i>Maersk Resilient</i>	CJ50	Maersk Drilling	Keppel FELS
<i>Al-Zubarah</i>	KFELS B Class	Gulf Drilling Int'l	Keppel FELS
<i>Ocean Shield</i>	KFELS Super B Class	Diamond	Keppel FELS
<i>West Ariel</i>	KFELS B Class	Seadrill	Keppel FELS
<i>Maersk Resolute</i>	CJ50	Maersk Drilling	Keppel FELS
<i>Deep Driller 6</i>	KFELS Super B Class	Aban	Keppel FELS
<i>Discovery I</i>	KFELS B Class	Jindal	Keppel FELS
<i>Virtue I</i>	KFELS B Class	Jindal	Keppel FELS
<i>Offshore Vigilant</i>	MLT 116C	Scorpion	Keppel AmFELS
<i>Ocean Scepter</i>	KFELS Super B Class	Diamond	Keppel AmFELS
<i>Offshore Resolute</i>	MLT 116C	Scorpion	Keppel AmFELS
<i>Atwood Aurora</i>	MLT Super 116E	Atwood	Keppel AmFELS
Semisubmersibles (semi)			
<i>ENSCO 8500</i>	E8500 Series	Ensco	Keppel FELS
<i>Maersk Developer</i>	DSS™ 21	Maersk Drilling	Keppel FELS
<i>P-51</i>	Floating Production Unit	Petrobras	Keppel FELS Brasil
Major conversions			
<i>Kalamu</i>	FSO	Perenco	Keppel Shipyard
<i>Saxi Batuque</i>	FPSO	SBM	Keppel Shipyard
<i>Maersk Ngujima-Yin</i>	FPSO	Maersk FPSO	Keppel Shipyard
<i>Golar Spirit</i>	FSRU	Golar	Keppel Shipyard
<i>Espirito Santo</i>	FPSO	SBM	Keppel Shipyard
<i>Lewek Arunothai</i>	FPSO	Emas Offshore	Keppel Shipyard
Vessels			
<i>Sea Apache</i>	AHTS	Gulfmark	Keppel Singmarine
<i>Sea Kiowa</i>	AHTS	Gulfmark	Keppel Singmarine
<i>Sea Choctaw</i>	AHTS	Gulfmark	Keppel Singmarine
<i>Varandey</i>	Icebreaker	Lukoil	Keppel Singmarine
<i>Toboy</i>	Icebreaker	Lukoil	Keppel Singmarine
<i>Smit Lumut</i>	AHTS	Hadi Hammam	Keppel Nantong Shipyard
<i>Smit Lumba</i>	AHTS	Hadi Hammam	Keppel Nantong Shipyard
<i>Smit Laisa</i>	AHTS	Hadi Hammam	Keppel Nantong Shipyard
<i>MV KST Safe</i>	Tug	Keppel Smit	Keppel Cebu Shipyard
<i>MV Maju Mars</i>	Tug	Keppel Smit	Keppel Cebu Shipyard
<i>MV Maju Mercury</i>	Tug	Keppel Smit	Keppel Cebu Shipyard
Barges and pipe racks	Transportation barges and pipe racks	Agip KCO	Keppel Kazakhstan
Buoys	CALM Buoys	SBM	Keppel FELS Brasil
COM 3	Barge	BUE Marine	Caspian Shipyard Company
COM 4	Barge	BUE Marine	Caspian Shipyard Company
<i>Red Hook</i>	Sludge vessel	City of New York	Keppel AmFELS
Upgrades / Repairs / Outfitting			
<i>Trident 15</i>	Jackup upgrade	Transocean	Keppel FELS
<i>Sedco 706</i>	Semi upgrade	Transocean	Keppel FELS
<i>Ocean Monarch</i>	Semi upgrade	Diamond	Keppel FELS
<i>Aban Pearl</i>	Semi repair	Aban	Keppel FELS
<i>Ocean Yorktown</i>	Semi upgrade	Diamond	Keppel AmFELS
<i>Ocean Valiant</i>	Semi repair	Diamond	Keppel AmFELS
<i>Saipem 7000</i>	Heavy lift semi upgrade	Saipem	Keppel Verolme
<i>MOPUstor</i>	MOPU outfitting	SBM	Keppel Verolme
<i>Sevan Voyageur</i>	FPSO outfitting	Sevan	Keppel Verolme
<i>Blackford Dolphin</i>	Semi upgrade	Fred Olsen	Keppel Verolme
<i>P-4</i>	Jackup repair	Petrobras	Keppel FELS Brasil

Chairman's Statement



“Despite a deteriorating business environment in the second half of 2008, Keppel O&M achieved new records in revenue and net profit, at \$8.6 billion and \$681 million respectively.”

Dear Stakeholders,

Delivering Results amidst Crisis

2008 was a very volatile year. The price of oil, which started the year at US\$100 per barrel, climbed to the dizzying height of US\$147 at mid-year and then dropped to a four-year low of around US\$35 by year end. The sudden freeze in credit in the last quarter of the year resulted in a rapid fall in business activities worldwide, drastically impacting global shipping markets and freight rates.

The credit crunch also affected some of our offshore customers, resulting in two contract cancellations amounting

to \$620 million and a re-scheduling of payments with one customer in early 2009. Amidst the difficulties, the Group secured a creditable \$700 million worth of new contracts in the last quarter, bringing the full year total to \$5.2 billion for 2008.

Despite a deteriorating business environment in the second half of 2008, Keppel O&M achieved new records in revenue and net profit, at \$8.6 billion and \$681 million respectively. The Group created an Economic Value Added of \$663 million, representing an increase of \$192 million over 2007.

Net orderbook by the end of 2008 was \$10.8 billion with deliveries stretching into 2012. The projects include semisubmersibles, jackups, Floating Production Storage and Offloading conversions and a variety of specialised vessels, reflecting our broad competencies. Many of these projects are repeat orders from established customers such as Enasco, Maersk, Petrobras, Seadrill, Queiroz Galvão Óleo e Gás, SBM and Prosafe, demonstrating customers' confidence in our execution capability.

Focusing on Business Excellence

All operating divisions turned in commendable results, attributed in no small measure to the respective chief executives and their staff. The Marine Division, especially Keppel Shipyard, performed exceptionally well as it continued its relentless support towards its customers and whole-hearted embrace of safety as its modus operandi. In fact, we are committed to ensure that none of our workers gets hurt at work.

The Offshore Division also achieved better results, contributed mainly by Keppel FELS, Offshore Technology Development, Asian Lift and Keppel AmFELS. The Division's sound contracting terms with customers and vendors have also kept it on an even keel in this volatile market.

Specialised shipbuilding likewise contributed to the Group's good set of results. Keppel Singmarine's increased use of its overseas facility in Nantong, China, has enabled the company to focus on higher valued-added projects in Singapore.

Managing Uncertainties

2009 will see the Group busier than ever to meet its contractual obligations to customers, but it will not be business as usual. Even though governments all over the world are taking proactive fiscal and financial measures to stimulate their economies, the outlook for 2009 is still uncertain.

We are already seeing the effect of the global recession on our businesses. Our offshore and specialised shipbuilding divisions are experiencing a sharp slowdown in new contracts. While ship charter rates have somewhat recovered from historic lows in December 2008, they are likely to remain subdued. This is expected to have a negative impact on our shiprepair business.

Stiff competition is expected for the limited projects available in the market. To thrive, we will stay focused on managing the market changes with flexible and innovative measures in marketing, project execution and cost

“We remain committed to the development of technology and the training of our workforce. These are pivotal to our ability to remain the preferred solutions provider in the business segments of our choice.”

control. All our operating units are monitoring their respective markets closely and reviewing their business processes, putting in place systems to better manage risks, increase productivity and sharpen their competitive edge.

Hunting for Opportunities

Notwithstanding the challenging environment, the fundamentals of the offshore and marine industry remain sound. With no viable large-scale alternative to hydrocarbons, sustained exploration and production (E&P) investment is required to avert a supply crunch. Therefore, national and international oil companies are continuing with their E&P investments to boost their reserves. Many of their projects are in the deepwater and Arctic regions, where field developments would take several years to achieve first production.

With our *Near Market, Near Customer* strategy and capabilities in deepwater rigs, we are well-placed to offer value-added solutions for E&P equipment and assets suited for these regions. We are also poised to cater to the addition requirements for specialised workboats such as windmill installation vessels, pipelay vessels and replacement Anchor Handling Tug/Supply vessels.

Strengthening Our Core

We remain committed to the development of technology and the training of our workforce. These are pivotal to our ability to remain the preferred solutions provider in the business segments of our choice.

Workplace safety remains a top priority. We will also leverage our global network to collaborate with customers to develop more market-driven products, services and systems.

Handing Over the Reins

As part of Keppel Corporation's succession programme, I have relinquished my position as Chief Executive Officer (CEO) of Keppel O&M and assumed the role of CEO of Keppel Corporation. Mr Tong Chong Heong, my Chief Operating Officer who has worked with me and the team to build up Keppel O&M, has been appointed as CEO. With his relentless commitment, vision and leadership, the Board and I are confident that Chong Heong will lead Keppel O&M towards attaining new heights of excellence.

Acknowledgements

On behalf of the Board of Directors, I would like to thank all our valued customers, business associates, class, vendors, suppliers and contractors for their continuing support. Special appreciation goes to our dedicated and loyal employees who are our most important assets. I would also like to acknowledge the assistance and support of all local, state and federal authorities in the host countries where we have operations.

Finally, I am grateful to our Board of Directors for their invaluable contributions and wise counsel. With a strong management team leading a passionate workforce and supported by our business associates, I am confident that together we will emerge from this current economic crisis fitter and stronger. Most of all, we will be able to deliver sustained value for all our stakeholders.

Yours Sincerely,



Choo Chiau Beng

Chairman

31 March 2009

Interview with CEO



“We are constantly streamlining our operations and processes to make our yards more productive and safer workplaces. The goal is to do our jobs faster, better and in a more cost-effective way.”

The deepening financial crisis has snowballed into a worldwide credit crunch, and with declining economic activities, no business has been spared. Although Keppel O&M has a strong orderbook, it is already seeing a slowdown in orders since the last quarter of 2008.

Looking ahead, Mr Tong Chong Heong, the CEO of Keppel O&M discusses how the Group is managing the current uncertainties and fortifying its core competencies while tapping its global network of yards for synergy to drive a difference for customers.

Q: What are Keppel O&M's priorities in managing uncertainties in the current volatile environment?

A: At Keppel O&M, we are driven by a commitment to deliver high value to our customers and be the provider of choice and partner for solutions to them. The foremost priority is to ensure that the Group is fighting fit and ready to meet the challenges ahead.

Immediate attention is being placed on managing costs effectively, strengthening project and supply chain management, making operations leaner and raising the overall productivity of our yards. These measures will enable us to meet our contractual commitments.

We are also channelling our efforts to realise greater synergies amongst Keppel O&M's global yards and further boost their performance in servicing customers. As with crises in the past, we are reviewing our business operations and rationalise those areas which do not give us sufficient value.

Q: How does Keppel O&M stand in the current climate?

A: Our orderbook as at end-2008 stood at \$10.8 billion with jobs stretching into 2012. We will be fairly busy in the year ahead. It will get challenging beyond 2009 if the world economy remains weak. Nevertheless, the fundamentals of the offshore and marine industry remain sound, and we are in a strong position to weather the difficult period until the market improves.

Now is an opportune time for us to further strengthen our core competencies. We continue to hone our technology and R&D competencies to address the changing needs of drilling companies and operators. We are also focused on training and developing a capable and resilient workforce, as we harness the synergies of our overseas yards in our drive for value.

We believe that these efforts will improve our performance on existing projects, as well as put us in a prime position to support our customers when the market recovers.

Q: How are Keppel O&M's businesses positioned to weather the economic downturn?

A: Our Offshore Division, led by Keppel FELS, is focused on achieving excellence in managing and executing its backlog of projects. The Division's network of yards in key offshore markets and local knowledge will also position us strongly as the choice partner for new projects in some of the closed markets, as well as new business sectors exploiting renewable energy offshore.

With the right resources, solid capabilities and a complementary network of offshore yards, we are also ready to support the market in repair, upgrading and completion jobs for jackups and semisubmersibles anywhere.

Our Marine Division fronted by Keppel Shipyard is set to maintain its FPSO conversion business, while it competes for a fair share of the repair business. During this period, we are working towards further developing

our resources and building up competencies in conversion work and topsides.

Similarly, our Specialised Shipbuilding Division, through Keppel Singmarine, is focused on enhancing its value proposition to customers with quality products at competitive prices. We are also maximising the use of our overseas facilities in Nantong, China to further strengthen project execution.

Q: What is Keppel O&M doing to further enhance its operations?

A: We are constantly streamlining our operations and processes to make our yards more productive and safer workplaces.

Our results in these areas have been affirmed with Keppel FELS's MAXA Award, which places us among companies with the highest global standards in manufacturing innovation and operational excellence. We will continue to align ourselves with best-in-class practices and quality standards to offer unrivalled services at competitive prices.

We aim to further improve cost efficiency by making our resources work harder for us and reducing overall energy consumption. Towards this end, we are setting budgets for our departments and project teams to encourage cost-consciousness.

Supply chain management is another area which we seek to strengthen. Our vendors and subcontractors are vital partners for the excellent execution of our projects. To elicit superior performance from our supply chain partners, we will continue to work closely to bring them on par with our best practices.

Interview with CEO

In the year ahead, we will concentrate on ways to further enhance project and cost management, system integrity, relationships with customers and vendors, as well as the development and retention of talent. The goal is to do our jobs faster, better and in a more cost-effective way.

Q: How will Keppel O&M leverage its global presence to drive value for customers?

A: Our global presence is underpinned by our *Near Market, Near Customer* strategy. All our overseas yards are closely integrated and backed by resources from headquarters in Singapore. They not only service many of the same operators; some also help to meet our customers' aspirations for greater local content.

The Americas is a significant market for us. Both Keppel AmFELS and Keppel FELS Brasil are tightening their project and cost management. With a solid track record for delivering projects on time, they are poised to better serve their respective deepwater markets in the Gulf of Mexico and Brazil.

Our presence in the emerging Caspian region, including the Russian sector and Turkmenistan, is bolstered by Keppel Kazakhstan and Caspian Shipyard Company. With access to valuable market insights, both yards are working in tandem with our customers to identify and provide early solutions for new projects in these closed markets.

Meanwhile, Keppel Verolme and Keppel Norway will continue to serve our customers and strengthen our brand name in the North Sea.

Q: With an increasingly competitive landscape, how will Keppel O&M maintain an edge over lower-cost yards in Asia?

A: The industry has always been very competitive. We will continue to offer innovative and cost-effective solutions to our customers so as to stay ahead.

We have prudently made investments in the good years to boost productivity and improve our technology edge. With clear product focus in our chosen segments of the offshore and marine business, we have been expanding our knowledge and technology base to develop innovative designs for rigs, specialised ships and other critical equipment that address the needs of drilling companies and operators.

As we reap the fruits of our efforts, we remain steadfast in seeding new areas of growth through R&D carried out by KOMtech (Keppel O&M Technology Centre) and our three design and engineering arms. We will give priority to solutions which can be brought to the market faster.

With invaluable customer feedback and shipyard experience, we are confident that our technology innovation will consistently propel Keppel O&M ahead as the industry's choice solutions provider and partner.

Q: What are the efforts to improve safety levels at the yards?

A: Safety is an ongoing journey. Despite the heavy workload across our yards, we maintained a low accident frequency rate of 0.37 and severity rate of 110 days lost for every one million man-hours worked in 2008.



Our goal is to have every employee and subcontract worker return home safely at the end of the day. Our main challenge is to assimilate our multi-ethnic workforce into Keppel's safety culture, such that every worker takes ownership of his or her own safety and that of co-workers.

While we have a set of safety guidelines for all our shipyards, each operation has its local challenges, regulatory requirements and cultural environment, which are taken into consideration before the implementation of safety rules and regulations. I am pleased that our overseas yards have done well in aligning their workforces with the Group's safety culture.

I would like to commend Keppel Shipyard for its zealous efforts in implementing its Safety Excellence 2010 programme during the year. With the strong support of its customers and industry partners, Safety Excellence 2010 offers a comprehensive range of safety schemes and upgrading programmes for Keppel Shipyard's workforce, including subcontractors.

The spin-offs and lessons learnt from this programme will be shared across our operations to improve safety levels at all yards. In tandem with Keppel Group's "Safety Starts with Me" initiative, we are constantly improving our safety standards in the march towards operational excellence in an incident-free workplace.

Q: How is the Company aligning the workforce to meet its goals?

A: A company can only be as good as its people. We can only become world-class when our people are

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results-driven and imbued with strong values and a global mindset to make a difference for our customers. Our aim is therefore to grow our people as holistic individuals, innovative employees and responsible citizens.

We spare no effort in training our people. We invested a total of \$22.5 million on the development of our 29,000 employees worldwide, up from \$17 million in 2007 and 2006. Each Keppel O&M employee spends an average of 100 hours in training per year. In addition, they are encouraged to be actively involved in community development activities.

Even in the current challenging environment, we remain committed to training, developing and empowering our people with a fair system to differentiate, motivate and retain strong performers.

Our Keppel O&M College develops and grooms executive staff with potential to take on greater responsibilities in the Group, while Keppel O&M Group Training Centre provides technical and specialised skills training for our workers and subcontractors. This Centre alone is able to train up to 3,500 persons every year.

Q: Is the Company exploring any opportunities to grow its business presence or acquire new capabilities?

A: The crisis presents opportunities for us to both expand our presence in existing markets and enter new ones. With our strong financial position, we are prepared to either acquire or co-invest with like-minded partners in new shipyards and capabilities. These acquisitions will have to meet our internal hurdle rate for investments and strengthen our market share when the recovery comes.

Driving *a Difference*

By Leveraging Synergies

Being *Near Market, Near Customer* keeps us abreast of and responsive to changing needs.

By Strengthening Execution

We continue to pursue operational excellence to deliver superior products and services on time, within budget and without incidents.



By Nurturing Talents

We are developing a formidable and resilient workforce with strong values to drive results.

By Growing Competencies

Through technology innovation, we bring viable solutions to the market quickly and effectively.



Strengthening Execution

Business excellence means delivering high quality projects on time, within budget and without incidents. We drive this with strong emphasis on leaner operations and astute project management to make our yards more efficient and safer workplaces.

Improving processes

To perform optimally, we consistently streamline our operations and align them with best-in-class practices. We are building on international benchmarks to improve our quality standards and offer unrivalled services competitively.



Strengthening supply chain

Our vendors and subcontractors are our partners in building and sustaining a robust supply chain for excellent project execution. By working closely and sharing best practices with them, we continue to elicit superior performance from our suppliers both in good times and bad.

Championing HSE

In collaboration with our partners, we are imbuing both personal and collective safety ownership in each worker and subcontractor. Through initiatives such as Keppel Shipyard's Safety Excellence 2010 programme, we continue to make new strides in our safety journey.



Leveraging Synergies

Our Near Market, Near Customer strategy sharpens our responsiveness to the changing needs of our industry. With 20 yards in 16 countries, and a keen understanding of the markets we serve, Keppel O&M remains the preferred solutions partner.

Tapping early project knowledge

With a headstart in the Caspian Sea, we reaped pioneering rigbuilding contracts such as *Trident 20* and *Maersk Explorer*. We continue to gain valuable insights into the front-end of new projects in the Caspian region, through Keppel Kazakhstan and Caspian Shipyard Company.

Riding on emerging markets

With an established presence in emerging oil and gas producing nations, we are poised to address the needs of growing E&P requirements in extreme environments such as the Arctic and the ultra-deepwater regions.



Meeting local content requirements

We bring our global perspectives to the local environment, supporting national aspirations to develop rich oil and gas resources through projects such as the *P-52* and *P-51* for Petrobras in Brazil. Backed by our Singapore yards, our local operations have the means to offer innovative solutions to meet our valued customers' demand for local content.



Growing Competencies

Developing products that are commercially viable and relevant to the market's needs drives our technology thrust. With invaluable customer feedback and shipyard experience, we continue to collaborate with trendsetters to develop and deliver innovative solutions quickly and effectively.

Technology foresight

Eight patents and many more research initiatives. This is the track record of KOMtech in one year since its inception. Together with the Group's other R&D units, KOMtech is actively fostering technology foresight capabilities to create a sustainable business.

Innovative designs

With clear product focus in our chosen segments of the offshore and marine businesses, we continue to expand our knowledge and technology base to develop innovative designs for rigs and other critical equipment to address the future needs of drilling companies and operators.

Strategic partnerships

In partnering customers and technology experts, we steadily hone our solutions to meet market expectations. Our deepwater rig and specialised ship designs are constantly being refined with operators' input to give them greater value.



Nurturing Talents

We seek to cultivate well-rounded individuals with a global mindset, and a people of integrity concerned with the good of community and the environment. We are committed to develop, motivate and empower a capable, results-driven workforce with strong values.

Shared core values

Guided by common principles and work ethics, our employees worldwide continue to deliver strong results consistent with the Keppel brand.

- Can Do!
- Customer Focus
- Commitment to HSE
- Accountability
- Integrity
- Innovation & Learning
- Global Mindset
- People & Teamwork

Commitment to community

With passion for the well-being of others, our people strive to give back to society through active involvement in community development and welfare projects. They support local communities in various areas such as education, sports, charity, performing arts and environmental protection.





Training and development

We embrace a systematic approach in grooming our global talent pool to build a formidable workforce with a succession of strong leaders. Our overseas young managers are brought to Singapore regularly for training and networking to enable them to take on greater responsibilities in their career development.

Group Financial Highlights

	2008 \$'000	2007 \$'000
Consolidated Balance Sheet		
As at 31 December 2008		
Share capital	339,716	339,716
Reserves	<u>710,589</u>	<u>854,454</u>
Shareholders' funds	1,050,305	1,194,170
Minority interests	<u>134,437</u>	<u>112,714</u>
Capital employed	1,184,742	1,306,884
Represented by:		
Fixed assets	1,078,695	919,054
Associates	90,534	84,273
Loans receivable	31,914	1,629
Goodwill	47,227	36,363
Investments	19,470	253,499
Other assets	<u>5</u>	<u>39</u>
	1,267,845	1,294,857
Current Assets		
Stocks	364,635	144,860
Work-in-progress (cost > billings)	361,266	276,139
Related companies & associates	120,647	95,440
Other assets	142,611	147,505
Debtors	1,096,177	946,383
Bank balances, deposits & cash	<u>3,139,442</u>	<u>2,767,591</u>
	5,224,778	4,377,918
Current Liabilities		
Creditors	2,008,870	1,487,621
Work-in-progress (billings > cost)	2,824,750	2,525,985
Other liabilities	149,274	485
Short-term loans	37,441	50,114
Taxation	<u>207,939</u>	<u>219,344</u>
	5,228,274	4,283,549
Net current assets	<u>(3,496)</u>	<u>94,369</u>
Non-current Liabilities		
Long-term Loans	19,479	20,725
Deferred Taxation	58,774	60,332
Deferred Liabilities	<u>1,354</u>	<u>1,285</u>
	79,607	82,342
Net assets	<u>1,184,742</u>	<u>1,306,884</u>

	2008 S\$'000	2007 S\$'000	Change %
Consolidated Profit & Loss Account			
For the financial year ended 31 December 2008			
Revenue	8,569,185	7,258,364	+18
Operating profit	822,155	590,007	+39
Net interest / Investment income	61,868	98,476	-37
Share of results of associates	41,338	31,063	+33
Profit before tax	925,361	719,546	+29
Taxation	(197,091)	(141,714)	+39
Profit after tax	728,270	577,832	+26
Minority interests	(40,743)	(36,066)	+13
Profit before exceptional items	687,527	541,766	+27
Exceptional items	(6,209)	(81,011)	-92
Attributable profit	681,318	460,755	+48
Economic Value Added (Before exceptional items)	663,192	471,417	+41

2008 was a record year for Keppel O&M. Revenue increased 18% to reach a new high of \$8.6 billion. Offshore, shiprepair, conversions and shipbuilding all achieved record turnover. New contracts secured during the year amounted to \$5.2 billion, bringing the net orderbook as at the end of the year to \$10.8 billion.

Operating profit increased by 39% to \$822.2 million. Net interest/investment income, however, fell 37% to \$61.9 million due mainly to lower interest rates. Contributions from associates rose 33% to \$41.3 million.

Profit after tax was up 26% to \$728.3 million. Attributable profit before exceptional items increased 27% to \$687.5 million. The exceptional item of \$6.2 million is related to goodwill impairment for an investment in an associated company.

The key performance indicators reflect the Group's results. Return on equity (before exceptional items) rose from 46.1% in 2007 to 61.3%. Economic Value Added was \$663.2 million, an increase of \$191.8 million over the previous year.

Key Figures

PATMI

\$688m

Keppel O&M achieved a record 27% increase in profit after tax and minority interests in 2008 on the back of \$8.6 billion in revenue.

Training

\$23m

Investments in the training and development of Keppel O&M's employees worldwide grew by 35% in 2008 from \$17 million in 2007.

Safety Record

0.37

The Group sustained its sterling safety record with a low accident frequency rate of 0.37 reportable cases per million man-hours worked globally in 2007 and 2008.

Jackup Drilling Rigs

54%

Keppel O&M maintained its market leadership in jackup rigs, having delivered 13 out of 24 new units that entered the market in 2008.

Semisubmersible Drilling Platforms

42%

Keppel O&M secured 5 of 12 units, or 42%, of global new orders for semi drilling rigs in 2008. It also delivered 2 of 6 semi drilling rigs that entered the market that year.

New Orders

\$5.2b

Substantial contracts secured in 2008 contributed to a strong net orderbook of \$10.8 billion at year end, and a strong pipeline of projects extending into 2012.

Group Strategic Directions

Strategic Directions	Strategy in Action
<p>Leveraging growth platforms</p> <ul style="list-style-type: none"> • Create value by investing in research and development (R&D) and forming alliances with trendsetters • Foster growth by enhancing operational competitiveness and commercial excellence • Groom people into growth leaders to drive business success 	 <p>Example: DSS™ Series Jointly developed with Marine Structure Consultants, our DSS™ Series of semisubmersibles (semis) are the most technically advanced deepwater drilling rigs to be designed and completed by Singapore. Well-suited to operate in offshore Brazil, West Africa and Gulf of Mexico, our DSS™ Series continues to win the affirmation of our leading customers in the deepwater segment. To date, we have completed three of seven such DSS™ semis ordered.</p>
<p>Fortifying core competencies</p> <ul style="list-style-type: none"> • Deliver value to customers and partners through excellent project management and execution • Strive for continuous improvement • Drive good governance 	 <p>Example: FPSO <i>Espirito Santo</i> In November 2008, Keppel Shipyard successfully delivered its ninth FPSO for SBM, building on its strong track record of more than 80 successful FPSO and FSO conversions. Delivered on time and within budget, FPSO <i>Espirito Santo</i> clocked over six million man-hours without lost-time incidents.</p>
<p>Increasing business robustness</p> <ul style="list-style-type: none"> • Strengthen critical infrastructure and capabilities • Promote Group-wide sharing of experience, expertise and best practices • Expand knowledge and technology base with clear product focus at each yard 	 <p>Example: KOMtech Our R&D centre, KOMtech, shifted to its new premises at 31 Shipyard Road, which is well-equipped with a specialised laboratory and a resource library among other amenities. Currently, KOMtech has a pool of 53 highly-qualified researchers, which will gradually increase to 100. Twenty percent of researchers will comprise personnel from various operational and engineering departments to promote knowledge sharing and cross-fertilisation of ideas.</p>
<p>Harnessing global synergies</p> <ul style="list-style-type: none"> • Leverage Group brand equity and global network for incremental businesses • Replicate our proven shipyard management systems across the Group • Establish centres of excellence for technology and business development 	 <p>Example: The Americas Keppel AmFELS and Keppel FELS Brasil are strategically located at the gateways to the deepwater markets of Gulf of Mexico and Brazil. The synergies of both yards are being realised with their restructuring under Keppel O&M's Americas head office. Building on their collective strengths, these yards reinforce our <i>Near Market, Near Customer</i> strategy to better serve customers in the Americas.</p>

Keppel Offshore & Marine

A world leader in offshore and marine structures, Keppel O&M is headquartered in Singapore and has a global network of 20 yards. This allows the Group to optimise deployment of resources, enabling the effective execution of our *Near Market, Near Customer* strategy effectively.

The head office has two central functions, namely Operational Services, including technology, design and development, engineering and procurement; and Corporate Services, which supports the Group in finance, legal, human resources, information services and corporate development.

The senior management is committed to build a culture of learning, and foster new and innovative ideas as we continue to strengthen our growth platforms and increase the throughput of our yards worldwide.

People are one of our key assets and resources. By improving work processes, providing further training to our personnel, and focusing on higher value-added work, we nurture a corporate culture characterised by the *Can Do!* attitude.

Through an in-depth understanding of industry trends, we seek to offer innovative solutions to customers. We will continue to fortify our relationships with stakeholders, execute projects on time and within budget as well as strengthen our track record.

Offshore



Offshore

The Offshore Division is led by Keppel FELS, the world's leading designer and builder of mobile offshore rigs, particularly jackups and semisubmersibles (semis). The Division offers an unmatched portfolio of proprietary floating production system solutions for deepwaters.

With a strong track record of proven proprietary designs, this Division offers competent design and engineering solutions in newbuilds and upgraded rigs to meet customers' requirements.

Leveraging Keppel O&M Group's global network of 20 shipyards, the Offshore Division strives to deliver on its promises on time and within budget.

Focus for 2009/2010

The Offshore Division aims to achieve operational excellence and further strengthen its technology leadership.

- Manage and execute backlog of projects to deliver them on time, within budget and without incidents.
- Leverage network of yards to participate in the repair, upgrading and completion of jackups and semis.
- Seek out innovative projects in closed markets and enter new business areas within offshore sector.

Marine



Marine

The Marine Division is represented by Keppel Shipyard, a leader in the repair, conversion and upgrading of a diverse range of vessels. These include Floating Production Storage and Offloading (FPSO) and Floating Storage and Offloading (FSO) conversions and Very Large Crude Carrier (VLCC) repairs.

With more than a century of experience and expertise, Keppel Shipyard embodies the strong brand attributes of reliability, flexibility and quality. With strong technical expertise and a deep commitment to Health, Safety and Environment, it continues to deliver high value to its customers.

Focus for 2009/2010

The Marine Division seeks to deepen its customer focus, and offer value-added services.

- Clinch contracts by offering competitive services.
- Enhance critical resources and develop competencies in conversion work and floating production systems.
- Widen international clientele and build long-term customer relationships.
- Roll out Safety Excellence 2010 programme to imbibe a strong safety culture and related skills in workforce at Keppel Shipyard.

Specialised Shipbuilding



Specialised Shipbuilding

Keppel Singmarine has a track record of more than 400 specialised newbuildings of diverse types and sophistication. Its portfolio of customised vessels includes Anchor Handling Tug/Supply vessels (AHTS), multi-purpose Offshore Support Vessels (OSVs) and tugboats for a worldwide clientele.

Possessing a suite of competent design and engineering solutions and augmented by strong logistics and infrastructure support in Singapore, Keppel Singmarine and its sister yard Keppel Nantong provide customers with one-stop value-added services.

Focus for 2009/2010

The Specialised Shipbuilding Division will continue to provide value to its customers with tailored solutions of high quality.

- Maintain competitive pricing and provide greater value to customers.
- Grow international client base and build long-term relationships.
- Harness synergies across Keppel O&M's overseas yards to boost project execution.
- Explore other business areas in specialised shipbuilding and strategically acquire new capabilities in key marine equipment.

Board of Directors



Choo Chiau Beng

Chairman of Keppel Offshore & Marine Ltd; Chief Executive Officer of Keppel Corporation Limited; Chairman of Singapore Petroleum Company Ltd, Singapore Refining Company Pte Ltd and SMRT Corporation Ltd.

Mr Choo sits on the Board of Directors of Keppel Land Limited and k1 Ventures Ltd.

He is a member of the Board Energy Studies Institute and Nanyang Business School Advisory Board. He is Chairman of Det Norske Veritas South East Asia Committee, Board and Council Member of the American Bureau of Shipping and member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units.

He is an Honorary Fellow of the Institute of Marine Engineering, Science & Technology.

He is Singapore's Non-Resident Ambassador to Brazil.



Tong Chong Heong

Chief Executive Officer of Keppel Offshore & Marine Ltd; Managing Director of Keppel FELS Limited and Keppel Shipyard Limited; Chairman of Keppel AmFELS Inc.

Mr Tong is a member of the American Bureau of Shipping, Nippon Kaiji Kyokai (Class NK) Singapore Committee, Society of Naval Architects & Marine Engineers (USA) and the Singapore Institute of Directors. He is a Fellow of the Society of Project Managers and also a Fellow of The Royal Institute of Naval Architects (RINA), UK.

He is the Honorary Consul (Designate) of Trinidad & Tobago in Singapore and the Honorary Trade Advisor to the High Commissioner of Trinidad & Tobago in New Delhi.

Mr Tong was conferred the Public Service Medal (PBM) in August 1999.



Prof Neo Boon Siong

Director of Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy in the National University of Singapore.

Prof Neo is former Dean of the Nanyang Business School at the Nanyang Technological University, Singapore. He is also Non-Executive Director of the Overseas-Chinese Banking Corporation Limited, Great Eastern Holdings Limited, The Great Eastern Life Assurance Company Limited, The Overseas Assurance Corporation Limited and J. Lauritzen Singapore Pte Ltd. Prof Neo is a Board Member of several statutory bodies, namely the Securities Industry Council, Goods and Services Tax Board of Review and Income Tax Board of Review.



Prof Minoo Homi Patel

Head of School & Professor of Engineering, School of Engineering of Cranfield University, UK.

Prof Patel has over 33 years of experience in research on offshore oil and gas exploration and production platforms and the umbilicals and risers used to connect these to wells located on the seabed in very deep water. In particular, he has devised and patented combined air/water motion control systems for enhancing the performance of floating offshore platforms. Among the vessels which utilise these innovations are McDermott Marine's DB50 crane vessel and the Helix Company's *Quantum 4000* vessel built by Keppel AmFELS and also their *Intrepid* work vessel.

Prof Patel has written two textbooks in this field and authored over 110 research papers. In 1989, he established a "science park" company called BPP Technical Services Ltd, to exploit applications based on his research and directed its development into a respected independent entity.

Prof Patel became an Honorary Member of the Royal Corps of Naval Constructors in 1996 and was appointed a Fellow of the Royal Academy of Engineering in 1999. He is also Non-Executive Director of BPP Technical Services Ltd, of Pipestream Engineering Inc, of Cranfield Engineering Innovations Ltd and Cranfield Aerospace Ltd.



Dr Malcolm Sharples

President of Offshore Risk & Technology Consulting Inc., USA.

With over 35 years' experience in offshore oil and gas exploration and production projects, Dr Sharples focuses primarily on technical risk analyses for financial and insurance interests, regulatory compliance and accident investigations. Prior to his current position, he headed the worldwide offshore business for American Bureau of Shipping as Vice President (six years) and previously as President of Noble Denton & Associates Inc. Dr Sharples' research work includes contracts for Minerals Management Service of the Department of the Interior (USA) on hurricane incident analyses. He is currently a consultant to major oil companies on regulatory compliance and management of risk issues. He also assists in industry standard committees for Offshore Wind Farms.

Dr Sharples is a Registered Professional Engineer, a Fellow of the Society of Naval Architects and Marine Engineers and a Member of the Society of Petroleum Engineers and the Institute of Marine Engineers. He serves on the Board of Directors of the Offshore Energy Center (offshore drilling rig museum and learning center), in Galveston, Texas (USA), where he also serves in the Hall of Fame Pioneer selection committee.

Board of Directors



Stephen Pan Yue Kuo

Chairman of World-Wide Shipping Agency Limited of Hong Kong.

Mr Pan is also the Chairman of GARD P&I (Bermuda) Limited, Chairman of SIGCO (Shipowners Insurance and Guaranty Company) Private Trustee Company Limited, Bermuda, and Chairman of the DNV Greater China Technical Committee. He is also a Director of Jurong Port Pte Ltd, Singapore.



Bjarne Hansen

Senior Partner of Wing Partners I/S, Denmark.

Mr Hansen was with A. P. Møller-Mærsk for 46 years and serves as Chairman or Board member of several Danish companies in the industrial as well as airline sector. He was a Partner of the Group from 1999 to 2001, when he moved to Singapore to assume the position of Chief Executive for Mærsk's Asia Region as well as Chairman of A. P. Møller Singapore Pte Ltd. He was also Chairman or Board Member of all Mærsk-affiliated companies in the Asia Region. Additionally, Mr Hansen's community work includes the Chairmanship of the Danish Cystic Fibrosis Association.

In 2003, Mr Hansen resigned to establish Wing Partners in Denmark.

Throughout his career with the A. P. Møller-Mærsk Group, Mr Hansen was involved in the entire spectrum of the Group's businesses including positions as Chief Executive of Mærsk Air as well as Mærsk Contractors. From 1991 to 1993, he was elected President of International Air Carriers Association (IACA). He was also elected "Airline Man of the Year" in Denmark in 1986.

Her Majesty The Queen of Denmark has bestowed a Knighthood upon Mr Hansen.



Teo Soon Hoe

Senior Executive Director and Group Finance Director of Keppel Corporation Limited.

Mr Teo is Chairman of Keppel Telecommunications & Transportation Ltd, MobileOne Ltd and Keppel Philippines Holdings Inc. He is also a Director of Keppel Land Limited, k1 Ventures Limited, Singapore Petroleum Company Ltd and Keppel Energy Pte Ltd.



Sit Peng Sang

**Chief Financial Officer
of Keppel Offshore &
Marine Ltd.**

Mr Sit is a Director of Keppel FELS Limited, Keppel Shipyard Limited, Keppel AmFELS Inc. and Keppel Offshore & Marine Technology Centre Pte Ltd.



Charles Foo Chee Lee

**Managing Director (Special
Projects) of Keppel Offshore
& Marine Ltd.**

Mr Foo is responsible for shipbuilding and Technology Development.

He is a Fellow of the Institute of Marine Engineering, Science & Technology (UK), Royal Institution of Naval Architects (UK) and Society of Naval Architects & Marine Engineers Singapore. Mr Foo is a member of Lloyd's Register Asia Shipowners Committee, American Bureau of Shipping (ABS) Southeast Asia Regional Committee.

Key Personnel Offshore & Marine



1. Chee Jin Kiong

Executive Director (Human Resources)

2. Tong Chong Heong

Chief Executive Officer

3. Choo Chiau Beng

Chairman

4. Sit Peng Sang

Chief Financial Officer

5. Charles Foo

Managing Director (Special Projects)

6. Wong Kok Seng

Executive Director
(Keppel FELS, Operations)

7. Michael Chia

Executive Director (Keppel FELS)

8. Hoe Eng Hock

Executive Director (Keppel Singmarine)

9. Nelson Yeo

Executive Director (Keppel Shipyard)

10. Lai Ching Chuan

Senior General Manager
(Corporate Development)



1. Thomas Pang
General Manager
(Corporate Development)

2. Wong Ngiam Jih
General Manager (Finance)

3. Cindy Lim
Senior Manager
(Group HR and Talent Development)

4. Ho Cheok Yuen
Senior General Manager
(Group Procurement)

5. Jeffery Chow
General Manager (Legal)

6. Dr Lee Chay Hoon
General Manager
(Organisation Development)

7. Kenneth Chong
Legal Manager (Company Secretary)

8. Anthony Toh
Group Security Manager

9. Fong Swee Theng
Group Facilities Manager

10. Martin Ling
General Manager (Information Systems)

Key Personnel Keppel FELS



1. S Jaya Kumar
General Manager (Marketing)

2. Chor How Jat
General Manager (Operations)

3. Tan Dek Joon
General Manager (Commercial)

4. Michael Chia
Executive Director

5. Yeong Wai Seng
Senior Project Manager

6. Chandru Sirumal Rajwani
General Manager
(Quality Assurance / Commissioning)

7. Daniel Chang
General Manager (Projects)



1. David Lee
Financial Controller

2. Aziz Amirali Merchant
General Manager (Engineering)

3. Lam Khee Chong
Senior Project Manager

4. Wong Kok Seng
Executive Director (Operations)

5. Keith Teo
Senior Project Manager

6. Wong Fook Seng
General Manager
(Planning and Control)

7. Yeo Yue Ngiap
Senior Project Manager

Key Personnel Keppel Shipyard



1. Louis Chow

General Manager
(Commercial – Conversion)

2. Edmund Mah

Financial Controller

3. Nelson Yeo

Executive Director

4. Abu Bakar

Senior General Manager
(Operations)



1. Tan Peng Pong

General Manager
(Engineering & Systems Development)

2. Burt Loh

General Manager
(Operations – Benoi)

3. Spencer Leong

General Manager
(Operations – Gul)

4. Mah Chan Wah

General Manager
(Commercial – Shiprepair)

Key Personnel Keppel Singmarine

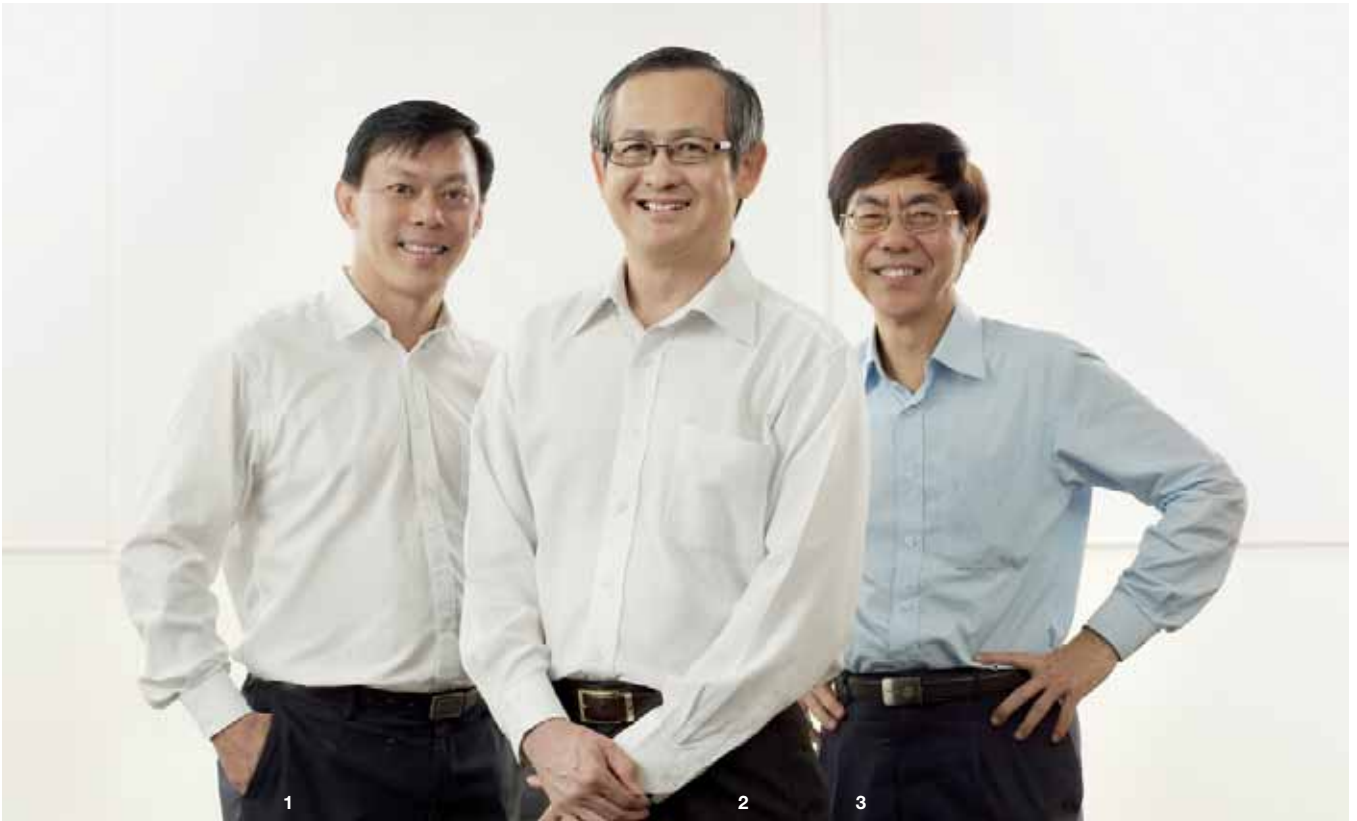


1. Toh Ko Lin
Senior General Manager
(Commercial)

2. Edmund Lek
General Manager
(Production)

3. Tan Cheng Hui
Senior General Manager
(Engineering)

4. Hoe Eng Hock
Executive Director



1. Au-Yeong Kin Ho
Deputy General Manager
(Engineering)

2. Charles Yap
General Manager
(Purchasing / Warehouse)

3. Poon Tai Lum
Deputy General Manager
(Commercial / Marketing)

Key Personnel Research & Development



1. Chong Wen Sin

Principal Research Engineer
(FPSO / Process), KOMtech

2. Goh Boon Kiat

Director (Technology Foresight),
KOMtech

3. Tan Cheng Hui

Senior General Manager (Engineering),
Keppel Singmarine and
Marine Technology Development

4. Charles Foo

Centre Director, KOMtech

5. Dr Yip Hee Yan

Senior Programme Manager
(FPSO & Process), KOMtech

6. Aziz Amirali Merchant

General Manager (Group Design &
Engineering), Keppel O&M and
Head, Deepwater Technology Group

7. Anis Hussein

General Manager,
Deepwater Technology Group



1. Dr Asbjorn Mortensen
Programme Manager
(Drilling Equipment), KOMtech

2. Au-Yeong Kin Ho
General Manager, Marine
Technology Development and
Deputy General Manager
(Engineering), Keppel Singmarine

3. Edgar Lim
Principal Research Engineer
(Offshore Structure), KOMtech

4. Dr Foo Kok Seng
KOMtech Deputy Centre Director
and General Manager, Offshore
Technology Development

5. Mohan Dass
Programme Manager
(Technology Foresight)

6. Dr Matthew Quah
Programme Manager
(Offshore Structures),
KOMtech

Key Personnel Overseas Managers



1. Michael Holcomb
Keppel Marine Agencies
(Texas, USA)

2. John J Bajor
Keppel Marine Agencies
(New Jersey, USA)

3. Kok Boon Heng
Keppel Batangas Shipyard

4. Steiner Haugen
Keppel Norway

5. Yick Ping Wong
Keppel Kazakhstan

6. Lee Tai Kwee
Keppel Nantong Shipyard

7. David Loh
Keppel Cebu Shipyard

8. Harold Linssen
Keppel Verolme

9. Leong Yew Kong
Arab Heavy Industries



1. Toh Ko Lin
Keppel Philippines Marine

2. Yan Naing Myint
Caspian Shipyard Company

3. Mok Kim Whang
Subic Shipyard and Engineering

4. Chow Yew Yuen
Keppel O&M (USA)

5. Yong Chee Min
Nakilat-Keppel O&M

6. Tan Geok Seng
Keppel AmFELS

7. Kwok Kai Choong
Keppel FELS Brasil

Key Personnel

Overseas Operational Centres

Arab Heavy Industries PJSC

Leong Yew Kong

Managing Director

Chan Lim Hong

General Manager

Tang Yang Nang

Finance & Administration Manager

Bintan Offshore

Herman Effendy

General Manager

Keppel Philippines

Marine, Inc

Toh Ko Lin

President

Agnes Barbara L. Lorenzo

Vice President

(Administration & Finance)

Keppel Batangas Shipyard

Kok Boon Heng

President

Keppel Cebu Shipyard, Inc

David Loh

President

Subic Shipyard

& Engineering, INC

Mok Kim Whang

President

Keppel Offshore

& Marine USA Inc

Chow Yew Yuen

President, The Americas

Cheung Tak On

Vice President (Technology)

Simon Lee

Vice President (Projects)

Keppel AmFELS Inc

Tan Geok Seng

President & Chief Executive Officer

Jim Lim

Chief Financial Officer

Eric Phua

Vice President, Commercial

Tom McCoy

Vice President, Production

Gilbert Elizondo

Vice President, Human Resources

Keppel FELS Brasil SA

Kwok Kai Choong

President & Chief Executive Officer

Tommy Sam

Chief Financial Officer

Alceu Mariano

Institutional Relations Director

Gilberto Israel

Commercial Director

Ng Gim Guan

Manager, Projects

BrasFELS SA

Eduardo Nunez

President

Keppel Verolme BV

Harold Linssen

Managing Director

Jerald Lee

Chief Financial Officer

Caspian Shipyard

Company Ltd

Yan Naing Myint

President

Gurbanov Elshan

Chief Financial Officer

Lau Kuat Pin

Vice President (Technical)

Edward Low

Commercial Manager

Keppel Kazakhstan LLP

Yick Ping Wong

Executive Director,
Keppel O&M (Caspian)

Anil Kumar Sultan

Executive Vice President

Lim Ah Beng

Assistant General Director

Matthew Kok

Chief Financial Officer

Venera Nurmukhametova

Head of Administrative Department

Keppel Norway AS

Steinar Haugen

President

Gunnar Larsen

Chief Financial Officer

Keppel Nantong Shipyard

Company Limited

Lee Tai Kwee

President

Wong Phuay Cheng

Vice President (Operations)

Wong Wei Kei

Vice President

(Finance & Administration)

Nakilat-Keppel

Offshore & Marine

Yong Chee Min

Chief Executive Officer

Albert Kee

General Manager (Operations)

Regency Steel Japan**Chong Woei Siong**

President

Hatano Shigeyuki

Chief Operating Officer

Ang Chee Peng

Chief Financial Officer

**Engineering /
Technology Centres****Keppel Offshore & Marine
Technology Centre Pte Ltd****Charles Foo**

Centre Director

Dr Foo Kok Seng

Deputy Centre Director

**Offshore Technology
Development Pte Ltd****Dr Foo Kok Seng**

General Manager

**Deepwater Technology
Group Pte Ltd****Aziz Amirali Merchant**

Head

**Marine Technology
Development Pte Ltd****Tan Cheng Hui**

Senior General Manager

Au-Yeong Kin Ho

General Manager

FloaTEC, LLC**Eric H Namtvedt**

President

Keppel FELS Baltech Ltd**Lyudmil Stoev**

General Manager

Ivan Petrov Pelov

Senior Engineering Manager

**Keppel FELS Engineering
Shenzhen Co.,Ltd****Ho Jong Heng**

General Manager

**Keppel FELS Offshore
& Engineering Services
Mumbai Pvt Ltd****Anant Keshav Shukla**

General Manager

Marine Services**Asian Lift Pte Ltd****John Chua**

General Manager

Keppel Smit Towage Pte Ltd**Ben Chew**

General Manager

Representative Offices**Keppel Marine
Agencies International****Michael Holcomb**

President / Director, Texas

John J Bajor

Director, New Jersey

**Keppel FELS Ltd
(Vietnam Office)****John Chin**

Country Manager

Keppel Prince Engineering Pty Ltd**Charles Chiam**

Director

Employee Unions**Keppel Employees Union****Mohamed Yusop Bin Mansor**

President

Mohd Yusof B Mohd

General Secretary

Keppel FELS Employees Union**Muhamad Shah Bin Md Sahid**

President

Atyyah Hassan

General Secretary

**Shipbuilding & Marine
Engineering Employees Union****Wong Weng Ong**

President

Lim Chin Siew

Executive Secretary

Nurturing People

As an employer of choice, we are constantly building a competent and resilient workforce with a strong succession of leaders.



At Keppel O&M, our commitment towards the growth and well-being of our people is fulfilled through sustained investments in skills training, talent management and career development.

We continue to nurture, upgrade and motivate our workforce even in difficult times, to allow our people to realise their full potential and contribute their best in the service of our customers.

In 2008, we invested a total of \$22.5 million in the training and development of our 29,000 employees globally. Of this sum, \$15.9 million was used to upgrade the skills of Singapore-based employees, comprising 48% of our total workforce.

Each employee in the Keppel O&M group spends an average of 100 hours in training per year. In addition, employees are encouraged to be actively involved in community development activities, charity work and environmental protection. We want to grow our people as holistic individuals, innovative employees and responsible citizens.

Our efforts were affirmed at the ASEAN Business Awards 2008, where we emerged as the Most Admired Enterprise for Employment among large-scale Southeast Asian companies.

Candidates were assessed on a number of factors such as training investments, efforts in creating a positive work environment as well as the presence of a proper staff appraisal system.

The award attests to Keppel O&M's robust human resource (HR) management, which is backed by a set of strong core values that form the bedrock of our commitment and collective strength to deliver on our promises.

Cultivating Aspiring Entrants

At Keppel O&M, we are doing our part to help establish Singapore

as an international maritime centre with a ready pool of talents to support the industry.

During the year, we awarded a total of 32 scholarships to tertiary students in Singapore to help propel aspiring individuals into the field.

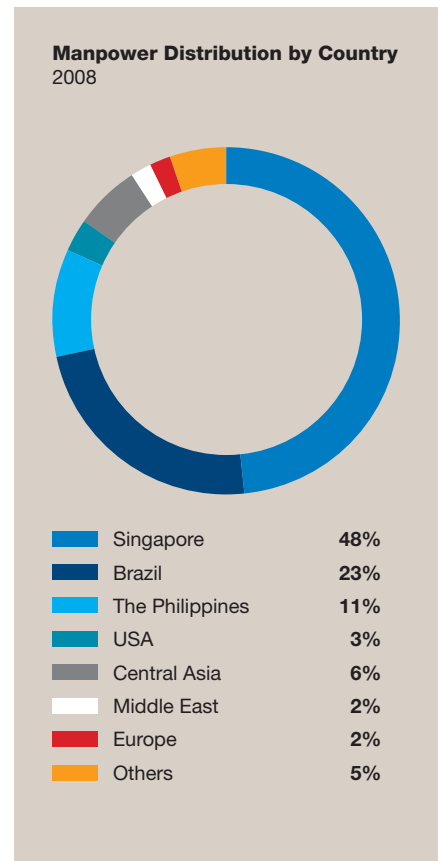
We continue to collaborate extensively with various academic and professional bodies and institutions to develop education and training initiatives. Our partners include the Singapore Workforce Development Authority (WDA), National Trades Union Congress (NTUC), Association of Singapore Marine Industries (ASMI) as well as local universities and polytechnics.

To provide youths with industry-related job exposure, we also took in a total of 156 student interns from various local and foreign institutes of education. These included four Young Arab Leaders (YAL) who interned at Keppel O&M under the Keppel-YAL Internship Exchange Programme in July 2008.

Throughout the year, we participated actively in recruitment drives, yard tours, career talks and road shows in the polytechnics and universities to attract young people to join the offshore and marine industry.



Keppel O&M continues to provide international youths with industry-related job exposure through initiatives such as the Keppel-YAL Internship Exchange Programme.



Extending our University Outreach Programme overseas, we conducted recruitment talks and interviews in various technological Universities in China and Vietnam.

Nurturing People

We also partnered the Institute of Technical Education (ITE) to set up the Marine Offshore Technology Workshop at the ITE College Central targeted at youths seeking to build a career in the industry. We will provide the equipment and technical support for the Workshop, and offer ten scholarship awards annually for the next five years for students pursuing the Higher Nitec in Marine Offshore Engineering course at ITE. On top of this, Keppel O&M & ITE will also jointly-certify related training programmes offered at ITE College Central.

We continued our support of the Super V programme led by ASMI, NTUC and WDA, towards building a steady and long-term pool of local supervisors for the marine industry. During the year, we recruited 40 workers who had successfully completed this programme.

Nurturing Our People

Our industry requires specialised expertise that takes years of training to hone. We place great emphasis on a sustained and systematic approach of grooming and managing our talents that will allow us to build a formidable workforce with a succession of strong leaders.

We ensure that strong performers with high potential to excel are given the opportunities to prove themselves and to be developed in leadership positions. These opportunities include overseas assignments, enlarged responsibilities, special projects and job rotation.

The Keppel O&M College, a key initiative of our Talent Development strategy, offers a complete suite of courses such as the Young Leaders Programme, General Management Programme and Advanced Management Programme, in collaboration with the Nanyang Technological University's Nanyang Business School (NBS).

These residential programmes are taught by faculty members of NBS to heighten our managers' key competencies, sharpen their business acumen, as well as promote cross sharing amongst overseas yards.

In February 2008, 29 senior managers attended the Global Advanced Management Programme, while 31 young talents participated in the Global Young Leaders Programme held later in October. Both programmes drew the participation of our talents worldwide, from as far as Brazil, the Netherlands, and Bulgaria.

The inaugural in-house Global Talent Management Symposium (GTMS) was launched to leverage the strengths of our global HR teams to establish best practices and roll-out our talent and succession management framework overseas.

During the year, the College organised a workshop on *Improving People Quotient for Leaders* for our non-HR middle management and supervisors. Apart from outlining the role of an effective leader, the seminar equipped participants

with an understanding of current HR practices, how these correspond with the organisation's values and can be integrated with daily operations.

In 2008, we sponsored 36 outstanding employees to pursue various specialised diplomas as well as graduate degrees. The wide-ranging courses included workplace safety and health, technology, engineering and marine technology.

We also continued our collaboration with the NUS Business School to introduce principles and best practices of project management to young project managers, project superintendents and project engineers through a customised Project Management Programme. This ongoing series of training sessions has been in place since 2007 to help employees hone their functional skills in negotiations, drafting and handling commercial contracts, managing claims, dispute avoidance, technical writing and presentations.

We also enrolled our management trainees and promising employees in the enhanced Leadership Development Programme at Pulau Ubin, conducted by Outward Bound Singapore. Through this programme, we aim to develop in them the key characteristics and competencies of an effective leader whilst encouraging teamwork and personal growth.

Six such programmes have been conducted for our employees since 2007.



Programmes under the Keppel O&M College help to nurture our global talents and groom future generations of leaders.

To imbibe a spirit of continuous learning in our people, we formed the new Marine Partnership with the Institute of Marine Engineering, Science and Technology (IMarEST). This partnership allows our employees worldwide to enjoy unlimited access to IMarEST's Marine Information Centre and its vast resources. Our staff also receive special discounts on professional memberships and opportunities for ongoing professional development through this initiative.

Under the auspices of the Marine Partnership, we held the first *Lunch and Learn* session in September 2008 where guest speakers from the industry were invited to share their insights with our employees. The inaugural session on marine salvage by guest speaker Mr Simon Rickaby, Managing Director of Braemar Howells, was well received and attracted a good turnout of 55 employees. *Lunch and Learn* sessions featuring industry experts are being held regularly, in view of the good response.

Our *TalenTime* networking luncheon continued to provide opportunities for our young talents to maintain close dialogue with senior management throughout the year. Participants are assigned themes to present, discuss and share with management over informal lunches each month. The topics range from current issues to personal achievements and professional milestones.

Mentoring Our Employees

Keppel O&M's Mentoring Scheme began in March 2006 as part of a corporate orientation for new hires. This scheme seeks to facilitate a transfer of knowledge by pairing more senior employees within the Organisation with their newer and less-experienced counterparts.

The scheme also plays an instrumental role in perpetuating knowledge and values throughout the Company.

Keppel O&M Group Training Centre



Keppel O&M's reputation as a world leader in the offshore and marine industry has been built upon the continuous nurturing of a world-class workforce that can offer high-quality services to our customers.

Established in 1968, the Keppel O&M Training Centre has been a seedbed for skilled workers, engineers and professionals. It draws from the wealth of experience and expertise of Keppel O&M's global network of 20 yards and 10 engineering and technology units to provide industry-relevant technical training for our workers and subcontractors.

The Keppel O&M Training Centre expanded into its new facilities in Shipyard Road in October 2008. With this transition, the facility now has the capacity to train and equip as many as 3,500 workers each year.

The comprehensive curricula and programmes provided include a wide range of courses, including welding, trade and testing processes; dimension control; workplace safety and health related courses; scaffolding and forklift operations; quality control

and various types of Higher Nitec courses such as Marine Electrical Technology, Fabrication Technology and Marine Technology.

The courses are developed in-house with strategic partners from the Singapore government, educational institutes, industry associates and customers. Many of the courses offered by the Centre comply with the standards specified by classification societies.

In November 2008, the Training Centre was awarded the International Certified on the Job Training Centre Scheme, which provides the platform for us to have similar set-ups in countries where Keppel O&M has a strong operational presence.

Meanwhile, we continue to build upon our training roadmap introduced in 2006 to help raise the skill sets and educational level of our employees. Through this initiative, 1,059 workers have completed the Basic Core Skills Level One training in 2008. Other courses for workers include English classes as well as Safety Leadership training, both of which are part of Keppel Shipyard's safety thrust.

Nurturing People



The annual ACTIVE Day is one of several regular activities to promote employee wellness.

Other than helping mentees to ease into their learning curves, the scheme also provides opportunities for mentors to hone their leadership and management skills. The typical mentoring period lasts about six months.

To date, there have been some 413 appointed mentors assigned to help 1,091 new hires assimilate into the Company's environment and culture.

Promoting Employee Wellness

We continued to promote employee wellness and work-life balance with various activities and programmes across the Group. Various talks on illnesses and active ageing were organised. Also, fruits were distributed throughout the year to promote healthy eating.

The annual ACTIVE Day was celebrated with gusto as kickboxing was introduced for the first time, replacing the aerobic exercises of previous years. Sports festivals were also held at

Organisational Climate Survey

In 2008, we carried out our fourth annual Organisational Climate Survey (OCS), designed to assess employees' concerns and identify areas for continuous improvement. In addition to Singapore employees, we have expanded the base of the current study to include staff from 11 overseas subsidiaries.

Employees rated their views on 13 key areas, ranging from organisational culture to work-life balance, to the quality of relationships and communication between management, employees and the unions, among others. A credible overall response rate of more than 80% was obtained out of 4,000 employees surveyed, of whom more than half were based overseas.

The overall score for the 13 areas has been gradually improving over the years well above the neutral score of

3.5. In 2008, the score was 4.86 vis a vis 4.42 in 2005 when OCS began.

The three best-scoring categories of 2008 include Safety & Environment, Motivation, Attitude and Morale, and Organisation Culture & Values, indicating an imbibing of the Company's core values, relating especially to safety policies and environmental protection efforts.

From the survey results, we have also identified areas for enhancement, such as the Company's structure for staff appraisal and benefits.

We take our employees' feedback seriously in our pursuit to become the offshore and marine industry's employer of choice. We are reviewing and improving our current policies and programmes with input from our workforce.

Scope of Survey

- Organisation Culture and Values
- Work Environment
- Management – General
- Management – Employee Relations
- Attitude, Motivation and Morale
- Compensation & Benefits
- Training & Development
- Internal Communication
- Recognition and Job Performance
- Safety & Environment
- Health & Work-Life Balance
- Management-Union Relations
- Employee Engagement

Keppel Batangas and Keppel Cebu for employees in the Philippines.

As part of its support of World Aids Day, Keppel Shipyard also took part in workplace HIV programmes such as the Health Promotion Board's Bridges of Hope workshop, which uses games and activities to help participants understand their own perceptions of HIV and AIDS.

Industrial Relations

During the year, we continued to build on the good tripartite relationships with government bodies and the union, which allowed us to respond swiftly to market changes to equip and retain workers.

In 2008, the management and union jointly awarded \$50,000 worth of bursaries to 149 union members and their children.

At the May Day Awards ceremony, our employee, Atyyah Bte Hassan, General Secretary of Keppel FELS Employees Union, was conferred the Comrade of Labour award by NTUC for her significant contributions.

The strong relationship shared by Keppel O&M and the unions was visible in the huge turnout at our annual Family Day. Twenty thousand employees and their loved ones turned up at Sentosa for a day of fun and camaraderie.

Accommodation Lodges

Keppel O&M places emphasis on the welfare of our foreign workers and their assimilation into our multinational workforce. We are among the first companies in Singapore to provide subsidised dormitories for foreign workers.

Developed by Keppel Housing in 1997, Acacia Lodge with over 260 apartments offers modern amenities such as a gym, convenience stores, banking and IT facilities within a gated community in Bukit Batok.

Acacia Lodge is home to more than 5,000 of our foreign workers. On a

regular basis, the Lodge facilitates various recreational activities to promote community living and team bonding.

Presently, a new dormitory has been completed while another is being built. Together they are expected to accommodate some 2,800 workers.

Overseas

Our Apprenticeship Scheme continued to achieve good results overseas. The programmes were created to train new recruits for the various trades required by the industry, as well as to enhance employability of the local community.

Keppel AmFELS in USA has trained 204 welders and 181 fitter and pipe fitter helpers at its training centre. Employees were taught how to weld with flux core and rod in different positions, the technical terms for the tools as well as how to work safely.

In addition to the Apprenticeship Scheme, Keppel AmFELS in USA continued to offer scholarships to engineering undergraduates in local universities such as the University of Texas at Brownsville.

Keppel Verolme also conducted a series of career roadshows and guided yard tours to reach out to talented students and welcome them into our fold.

In the Philippines, Keppel Batangas's in-house Training Centre continued its scaffolding, ship fitters and welding programme accredited by the Technical Skills Development Authority. Three hundred and thirty-six welders and 80 scaffolders completed the course, of whom 107 trainees were accepted as apprentices in the shipyard. The course received additional incentive support from the Pilipinas Shell Foundation programme.

Selected employees from Subic Shipyard also attended seminars on labour relations, leadership training, occupational safety and health awareness. Welding inspectors were also sent for the review and licence examination hosted by the Philippine Welding Society.

Keppel Subic Shipyard awarded college scholarship grants to two high school graduate students with excellent academic performance. There are presently four Subic Shipyard scholars taking up the Bachelor of Science degree in Naval Architecture and Mechanical Engineering at NAMEI Polytechnic Institute.

During the year, five employees from Keppel Kazakhstan completed their Keppel FELS's Management Trainee scheme in Singapore. As for Caspian Shipyard Company, it continued to train its workers to undertake more sophisticated offshore work.



Recreational activities to promote community living and team bonding are held regularly at Acacia Lodge, one of our dormitories for foreign workers.

Core Values

We seek to develop a workforce of holistic individuals, innovative employees and responsible citizens with strong values to drive results.





- 1 We seek to forge value-added partnerships through our strong customer focus.
- 2 Anchored by a common set of values and attitudes, employees experience a heightened sense of belonging and *esprit de corps*.

Keppel O&M is a multinational company with a global workforce of 29,000 people, hailing from more than 40 nations, and speaking some 100 languages and dialects.

We align our workforce with a common set of core values to influence behaviour and shape the corporate culture of our operations across the globe. We believe that these values will drive our people to produce the same high standards of timely, within-budget and incident-free deliveries that are consistent with the Keppel brand.

Keppel O&M's core values were first introduced in 2002, and have been part of the corporate fabric for many years, driving our success. In 2006, eight hand icons were introduced to represent these core values which can be accurately interpreted regardless of creed or culture.

'Hands' are international symbols of harmony, productivity, unity and

strength. Thus, the images of hands at work aptly depict Keppel O&M's core values. Moreover, manual and specialised manpower are the foundation of the Group's businesses, making 'Hands' psychologically important symbols to our workforce.

The slogan 'Strong Values, Strong Results' was coined to reinforce the messages of the icons.

The embracing of common and strong beliefs and values fosters good business and interpersonal relationships which drive our success. The icons convey our core values in a tangible way that employees worldwide can relate to and internalise.

They were introduced to our global offices with the aid of an Overseas Roll-Out Implementation Kit.

The in-house developed KOMmon values team-building programme is an example of activities devised

to communicate and promote our core values. These programmes are incorporated into our workshops as well as our New Hires Corporate Orientation to help employees better appreciate and relate the core values to their work.

The constant communication with our employees has led to a greater understanding and alignment of the core values in our global workforce. This has heightened their sense of ownership and belonging in the organisation, and builds *esprit de corps*.

More importantly, the alignment of our core values amongst employees is instrumental in our succession planning. This forms the basis of our evaluation and selection of candidates for performance management, reward and recognition as well as further leadership development.

Technology and Innovation

In building up our technology competencies and foresight, we seek to address the future needs of drilling companies and operators, bringing viable solutions to market more quickly and effectively.



Keppel O&M's technology focus is to develop products that are commercially viable and relevant to the market's needs. Our solutions, most of which are well-accepted by the market, have been developed in close partnership with trendsetting customers and industry specialists.

In recent years, our proprietary solutions have rendered contracts of more than \$16 billion and propelled Keppel O&M as the world leader in the design and construction of semisubmersibles (semis) and jackups.

Our rig and specialised ship designs are being refined constantly with operators' input to give them greater value. With invaluable customer feedback and shipyard experience, we continue to develop and deliver products that meet market expectations.

Technology Development Strategy

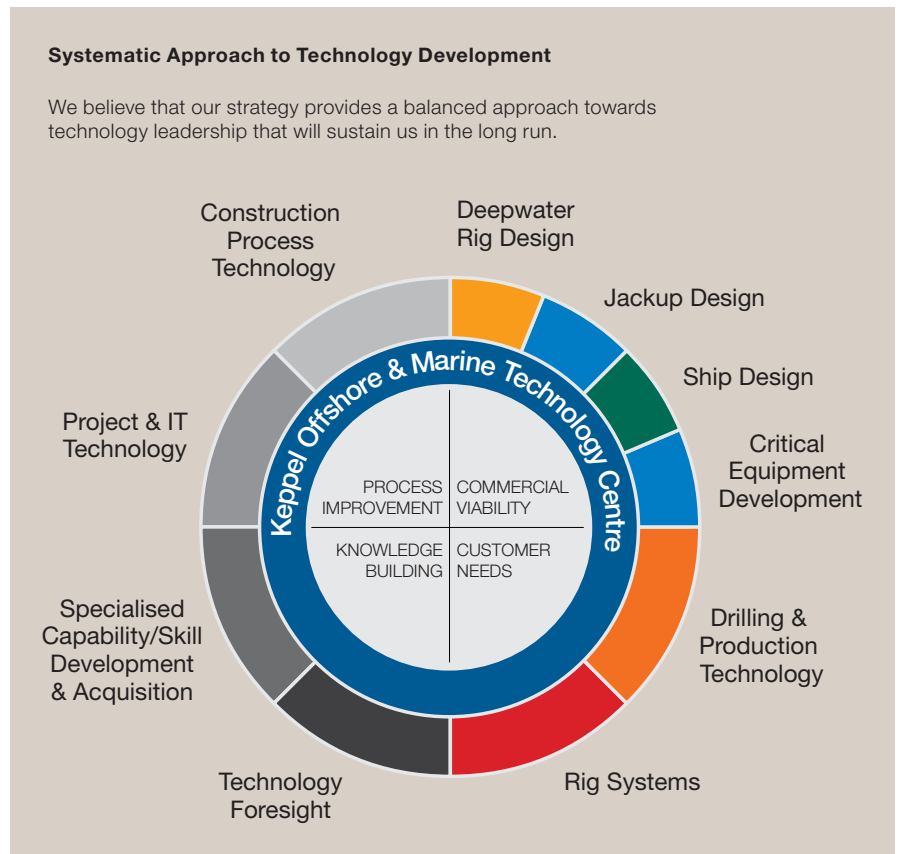
Our technology strategy is applied through KOMtech and our three design and engineering arms — Offshore Technology Development (OTD), which focuses on jackup rigs, rig components and critical equipment; Deepwater Technology Group (DTG), which specialises in semis and other floating structures and Marine Technology Development (MTD), which is experienced in specialised Offshore Support Vessels and tugboats.

This strategy focuses on four inter-related aspects, which enable Keppel O&M to provide reliable and competitive solutions to our customers quickly and effectively:

- **Commercial Viability**
 - Providing our shipyards with competitive edge by offering proprietary rig and ship designs that have commercial potential.
- **Customer Needs**
 - Adapting, customising and optimising our designs to meet customer requirements.
- **Knowledge Building**
 - Developing and acquiring



Informal sharing sessions are a means to expand our knowledge and technology base.





A conducive environment for innovation – The new facilities include a modern, specialised laboratory where researchers conduct experiments for their projects.

knowledge through technology foresight and market feedback.

- **Process Improvement**
– Improving our business processes through innovation and efficient use of materials.

Keppel Offshore & Marine Technology Centre (KOMtech)

KOMtech was launched in end 2007 to boost our R&D edge and position the company for long-term growth.

The Centre's job scope involves R&D for new technologies and processes namely, rigs for the Arctic, subsea productions, critical equipment and the miniaturisation of topsides. Priority is placed on innovations with greater potential for commercialisation, and whose returns may be reaped in the near term.

KOMtech is also focused on developing competencies ranging from technologies that can enhance existing rig solutions to those that have the potential to disrupt the Group's businesses.

The Centre is currently developing new rig designs as well as critical equipment and techniques that can enhance existing solutions. It has patented eight innovations to date and conducted some 20 research projects which are at different stages of evaluation by our various business units and customers.

KOMtech has also tapped into the expertise of various centres of excellence. It is working closely with local and overseas tertiary institutions such as the National University of Singapore, Nanyang Technological University, University of Western Australia and Oxford University to grow its knowledge base.

To strengthen its technology foresight capabilities, KOMtech is collaborating with Houston-based Keppel O&M USA, as it pursues technologies that could address future needs of drilling companies and operators. The Centre will continue to leverage Keppel O&M's global network to partner customers, designers and industry specialists to develop relevant products that are commercially viable and adaptable to the market's needs.

During the year, KOMtech shifted to its new premises at 31 Shipyard Road, which is well-equipped with a specialised laboratory and a resource library, among other amenities.

Currently, KOMtech has a pool of 53 highly-qualified researchers. The Centre's R&D team will gradually increase to about 100 researchers. To facilitate knowledge sharing across the group, 20% of research staff will comprise personnel seconded from various operation and engineering departments across the Keppel O&M group.

Bringing Solutions to Bear

Our innovations, which seek to address both the long-term needs of our customers as well as the more immediate enhancement of current rig solutions, have rallied creditable interest from the industry.

Products such as our DSS™ Series of semis continue to win affirmation from our leading customers in the deepwater segment. Meanwhile, our newer jackup enhancing solutions such as the Rotaset Racker and the In-Situ Soil Testing Device are gaining the attention of drilling operators, and show good potential to be commercialised in the near term.

The New Standard for Deepwater – DSS™ Semisubmersible Series

We are the only global shipyard group with our own suite of deepwater solutions. Our DSS™ Series of semis, developed in partnership with Marine Structure Consultants, are the most technically advanced deepwater drilling rigs to be designed and completed by Singapore. To date, we have completed three of seven DSS™ Series semis ordered.

The DSS™ Series was commercialised in 2001 when Maersk Contractors ordered the DSS™ 20, to be built for the Caspian Sea. The design was further improved by DTG in consultation with

Maersk. In 2004, the enhanced design achieved a breakthrough to provide deepwater solutions in 10,000 metres water depth. Our R&D efforts paid off when more orders were received from Maersk Drilling for three DSS™ 21 units and from Transocean (then Global Santa Fe) for a DSS™ 51 rig.

The first DSS™ 21 semi was delivered to Maersk Drilling at the end of 2008 whilst the DSS™ 51 *Development Driller III* for Transocean will be delivered in mid 2009.

DSS™ 38, the latest model of the DSS™ Series was created with experience gained from constructing the aforementioned semis and further feedback from their owners and operators. Orders for two such units were placed in the last three years by Brazilian drilling contractor group Queiroz Galvão Óleo e Gás.

Units in the DSS™ Series boast several cost-efficient and distinctive safety features for rig operators. DSS™ Series of rigs have a total payload of 13,500 tonnes. This heavy

duty payload reduces the need and costs of transporting supplies to and from the rig considerably. This is especially valuable when operating in remote environments.

The DSS™ Series also features reduced emissions and discharges, offering an environmentally-friendly solution for the global offshore industry.

Rigs of the Series have distinct ‘double-skin’ columns, which protect the critical equipment from damage by external impact. This greatly reduces rig downtime in the case of hurricanes or strong climatic pressures out at sea. The engine rooms are laid out to minimise the potential of simultaneous shutdown in an emergency.

Furthermore, being able to operate at a water depth of 3,000 metres and a drilling depth of 10,000 metres below the mudline makes the DSS™ Series well-suited to operate in offshore Brazil, West Africa, Gulf of Mexico and Southeast Asia.

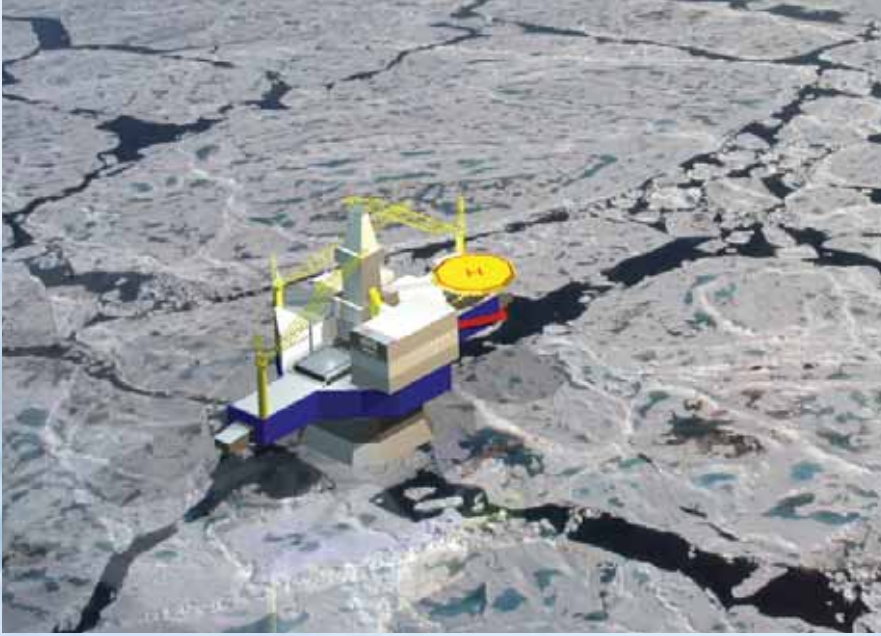
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Keppel's proprietary DSS™ Series of ultra-deepwater drilling rig designs boasts cost-efficient and distinctive safety features for rig operators.

The Ice Edge

Crossing the Boundaries of Harsh Environment Operations



Our research on the challenges of harsh environment oil and gas operations has expanded to include the experimentation of new materials and equipment for ice-resistant and ice-capable solutions such as the MIRODU.

The latest offshore oil and gas exploration frontiers lie in the harsh terrains of the Caspian Sea region and the Arctic Ocean where winter temperatures can plummet below -60 degrees Celsius. In these environments, men and equipment are exposed to extreme climatic conditions and the treacherous elements of the ocean far from shore.

Over the last few years, Keppel O&M has been investigating the unique challenges to offshore structures in Arctic regions, particularly the extreme cold temperatures and ice loads. The results have been encouraging. The areas of research have expanded to include the experimentation of new materials and equipment, and the prototype design of mobile ice-resistant offshore drilling units, ice-capable jackups and various specialised vessels.

Mobile Ice-Resistant Offshore Drilling Units

Mobile ice-resistant offshore drilling units (MIRODU) have the potential to operate in shallow Arctic waters. The challenges for these structures include the shallow draught during tow and the large ice loads at site. Designers have to consider the need for a significant foundation to resist hefty ice loads, a heavy winterised topside for year-round operation without re-supply, marine stability during transit and the mobility of these mammoth structures.

In anticipation of the market's needs, KOMtech has designed a 150-metre by 150-metre MIRODU capable of resisting 100,000-tonne ice loads in Russia's shallow Arctic shelf for transit and operation in locations with 6 to 25 metres water depths.

Ice-Capable Jackups

Although typical ice level in the North Caspian Sea is less than a metre thick, its shallow waters are laden with ice ridges that can severely restrict mobility. To support the market's need for more reliable winter operations in this region, OTD and KOMtech are developing an ice-worthy jackup rig design that can address the environmental challenges.

Analyses have been conducted on an existing KFELS B Class jackup rig to study the peripheral features needed to 'winterise' the jackup. These include the installation of shields around the jackup's legs to prevent ice rubble from building up there and causing truss parts to fail.

The benefits of having shields are sometimes reduced due to their tendency to attract larger loads to the rig legs. To mitigate this side effect, we have designed a jackup leg cone that can be lowered from the hull and locked at the water level where ice loads are usually attracted. This conical appendage breaks the oncoming ice floes with a bending action, thus helping to reduce the impact of loads inflicted by the typical crushing action that occurs with ice failure.

The patent-pending jackup leg cone from OTD has a unique ability to move up and down along the rig legs thereby reducing impact loads and preventing ice accumulation.

High-Performance Concrete Vessels

KOMtech and OTD have been investigating the use of concrete as a more cost-effective alternative to steel for offshore structures.

They are presently exploring applications for a newly-discovered ultra high-performance cementitious composite (UHPC), which is more durable and much lighter than normal concrete.

In the process, they have developed a new hull form structure with a unique cell-form reinforced grid that enables the construction of large floating vessels. Pre-tension technology has also been applied to enhance its capacity. The result is a relatively 'light-weight' offshore structure that is very sturdy and highly viable for offshore and marine applications in harsh environments such as the Arctic.

Breakthrough Support Vessels

To date, MTD has succeeded in designing the world's first Ice-Class Floating Storage and Offloading (FSO) facility. The hull has been built by Keppel Singmarine in Singapore and the vessel is currently being assembled by Caspian Shipyard Company in Azerbaijan for LUKOIL.

This Ice-Class FSO is designed with provisions for forecastle deck structure for single point mooring. It has a double bottom and double shipside hull; a superstructure for 32 men, a Cargo Oil Control Station, machinery space and a helipad in the mid-section.

With an oil storage capacity of approximately 28,000 tonnes, the Ice-Class FSO will be deployed in the Yuri Korchagin Field in the Russian sector of the Caspian Sea when delivered in the second quarter of 2009.

Leveraging their knowledge of ice technology, MTD and Keppel Singmarine have engineered and completed the first two Arctic icebreakers to be built in Asia.

The two icebreakers, *Varandey* and *Toboy*, incorporate MTD's new fully-automated diesel electric propulsion system, which are being employed across a variety of Keppel's specialised vessels to improve their operating efficiency.

Built in compliance with the Russian Maritime Register of Shipping's standards, these vessels are capable of cutting through solid ice over 1.5 metres thick and operating in extreme temperatures as low as -45 degrees Celsius. Their main functions are to perform ice channelling for tankers within the terminal area, and assist in tanker manoeuvring, mooring and loading.

Delivered to LUKOIL in 2008, both *Varandey* and *Toboy* were built to "Clean Design" and "Zero Discharge"

standards to better protect the fragile Arctic environment.

Disconnectable Mooring Systems for Floaters

Unlike fixed structures, floating structures meant for the Arctic regions must be able to disconnect from the seabed, when oncoming pressures from ice loads exceed their intended limits.

The mooring system has to be designed such that it is not hampered by the ice in normal operating conditions. At the same time, the system must be able to quickly and safely detach itself in case of emergencies.

To meet this requirement, KOMtech is designing a disconnectable mooring system that comprises external fairleads, submerged chain locker boxes and diverter units along with a quick release mechanism and a single handling winch for each group of lines.

This system provides automatic disconnection without any external assistance other than an emergency release signal.

Asia's first pair of icebreakers, *Varandey* and *Toboy*, can cut through solid ice over 1.5 metres thick and operate in extreme temperatures of -45 degrees Celsius.



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Pushing the boundaries for deepwater products, we will continue to develop a series of solutions with FloaTEC, our joint venture with J Ray McDermott, to suit a wide range of applications, water depths, and locations to meet market needs.

Safer and Faster Pipe-handling – Rotaset Racker

KOMtech has developed a new Rotaset Racker pipe-handling system, which improves vertical pipe racking systems to enhance their safety and speed.

The system has a fully automated rotating setback and two arms that bring stands to a delivery point near the well centre. With relatively shorter and lighter arms than the conventional pipe-handling system, the Rotaset Racker effectively doubles the speed of racking stands from the well centre to the setback, and allows the setback to be more densely filled.

Capable of working with dual well centres and bringing casing and tubing stands from one side of the mast to the other, the Rotaset Racker is especially

well-suited for deepwater drilling units and subsea intervention drillships.

More Reliable Jackup Operations – In-Situ Soil Testing Device

The reliability of geotechnical investigations and assessment of jackup leg penetration prediction are two critical factors in ensuring the safety of jackup rig installations apart from rig operations.

Using proven PCPT equipment and a special handling system, an in-situ soil testing device is customised and integrated within jackup legs to enable soil penetration testing up to 25 metres below the spudcan. It also analyses and predicts spudcan penetrations and identifies punch-through hazards on location.

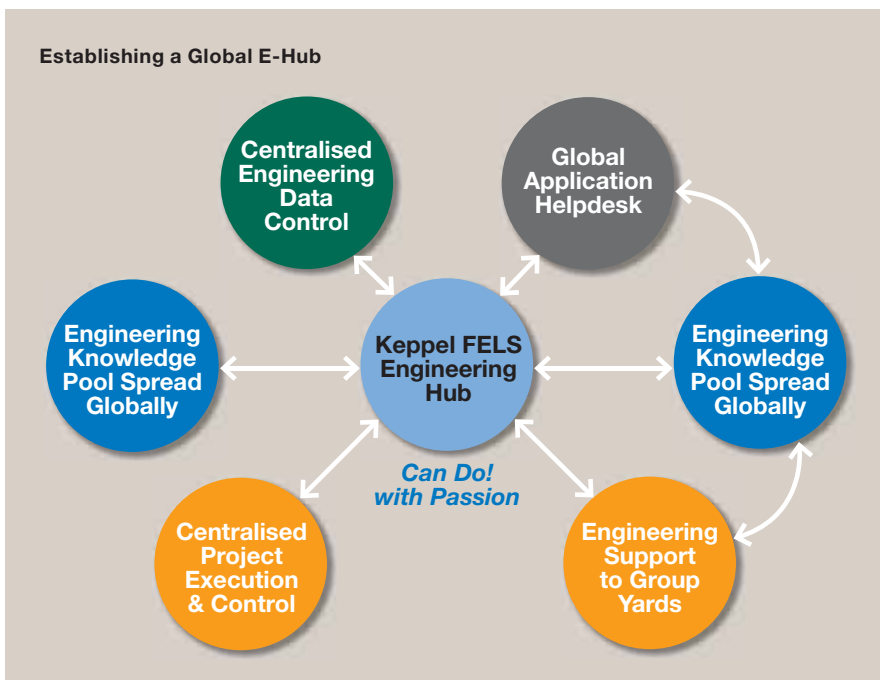
The device is jointly developed by KOMtech, AP van den Berg – one of the biggest manufacturers of soil testing device – and Centre for Offshore Foundation System (COFS) at the University of Western Australia.

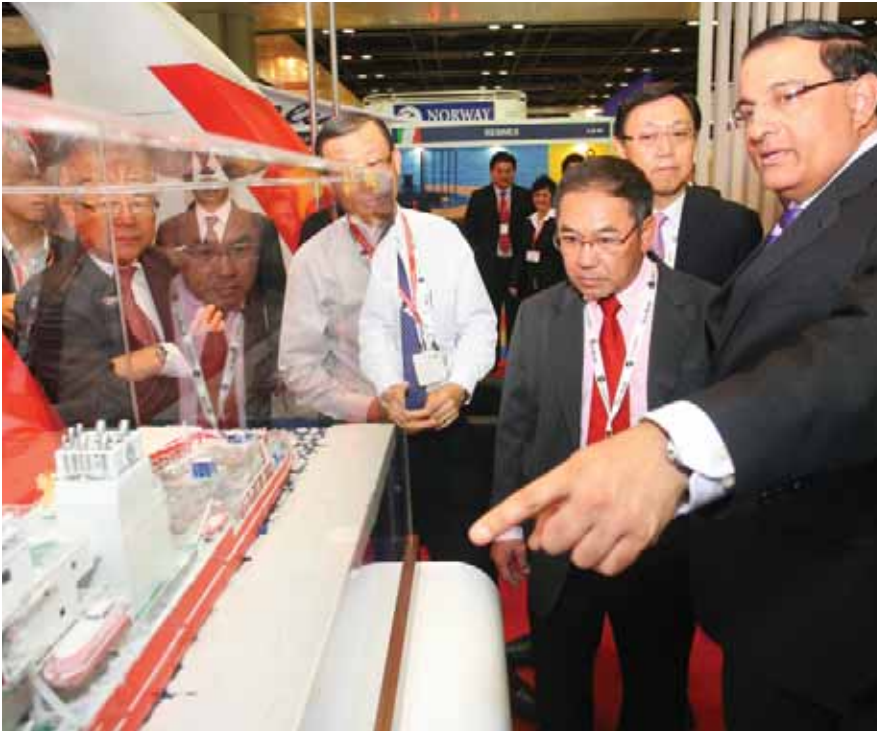
Establishing Thought Leadership Keppel O&M Global Engineering Hub

Our engineering and IT divisions have integrated advanced 3D design tools with web-based collaboration and data management solutions. This state-of-the-art SmartMarine 3D technology empowers our engineers in Singapore to review engineering designs and drawings carried out by the Mumbai office.

Drawings are automatically extracted after the engineers have reviewed and made changes. This enhances design accuracy, speeds up communications and prevents expensive and unnecessary revisions. These drawings can also be worked on round-the-clock by the engineering centres in different time zones. The lessons learnt can also be shared by our global workforce almost instantaneously.

Among the latest 3D design software in the market, SmartMarine 3D developed





Keppel O&M continued its support of the OSEA Conference for the 17th time in 2008.

by Intergraph, provides shipbuilders with better decision support capabilities to facilitate global design, production and life cycle optimisation. With its successful implementation, we have significantly improved workflow and reduced the man-hours required to design projects.

We will continue to work with Intergraph to further develop the use of SmartMarine 3D to enhance our design processes. This includes a potential pilot project to integrate SmartMarine 3D with other existing Intergraph software which we have adopted, such as SmartPlant P&ID, SmartPlant Electrical, SmartPlant Foundation and SmartPlant Material.

With the SmartMarine 3D technology, we aim to establish Keppel O&M as the global engineering hub.

InSafe Joint Industry Project

In the last few years, OTD has been promoting joint industry efforts to improve the existing guidelines and codes for jackup foundations.

Together with KOMtech, it is spearheading the InSafe Joint Industry Project (InSafeJIP), a collaborative research platform involving companies in the entire jackup value chain working and sharing data with one another.

The InSafeJIP, which kicked-off in January 2008, aims to improve the reliability of foundation bearing capacity prediction used to assess jackup foundation performance. It will be achieved by reviewing and calibrating state-of-the-art geotechnical predictive methods which have recently been established in the offshore geotechnics area.

The programme will lead up to the forming of industry guidelines for geotechnical site assessments, which will help to enhance safety and the reliability of jackup operations.

Developing the Industry

Keppel O&M actively participates in industry forums and conferences. This not only keeps us abreast of the latest technology and innovations, but

also allows us to influence industry trends and contribute to the development of the offshore and marine sector.

In 2008, we supported in the following events:

- The 22nd Chua Chor Teck Memorial Lecture was delivered by Mr Nick Sansom on 16 January 2008. Mr Sansom, Senior VP and Head of Marine in Asia of Marsh (S) Pte Ltd, spoke on "Marine Insurance: Past, Present and Future".
- Keppel O&M participated in the Offshore Technology Conference in Houston from 5–8 May 2008. OTC is the world's foremost event for the development of offshore resources in the areas of drilling, exploration, production and environmental protection.
- The Keppel O&M-National University of Singapore Project Management Programme (PMP) is a collaborative effort with the NUS Business School to introduce principles and best practices of project management to young project managers, project superintendents and project engineers.
- The 6th Annual Keppel O&M Lecture on 17 September was delivered by Keppel Chair Professor Andrew Palmer. He spoke on "Carbon Capture and Storage".
- Keppel FELS and OTD supported the Jackup Asia Conference & Exhibition 2008 which brought together international professionals, academia and industry experts in Singapore from 17–18 November 2008.
- Keppel O&M continued its support of OSEA, the International Oil and Gas Industry Exhibition & Conference for the 17th time during 2–5 December 2008.



1



LASHIN 3

2



Raissa

3



KST Safe

4

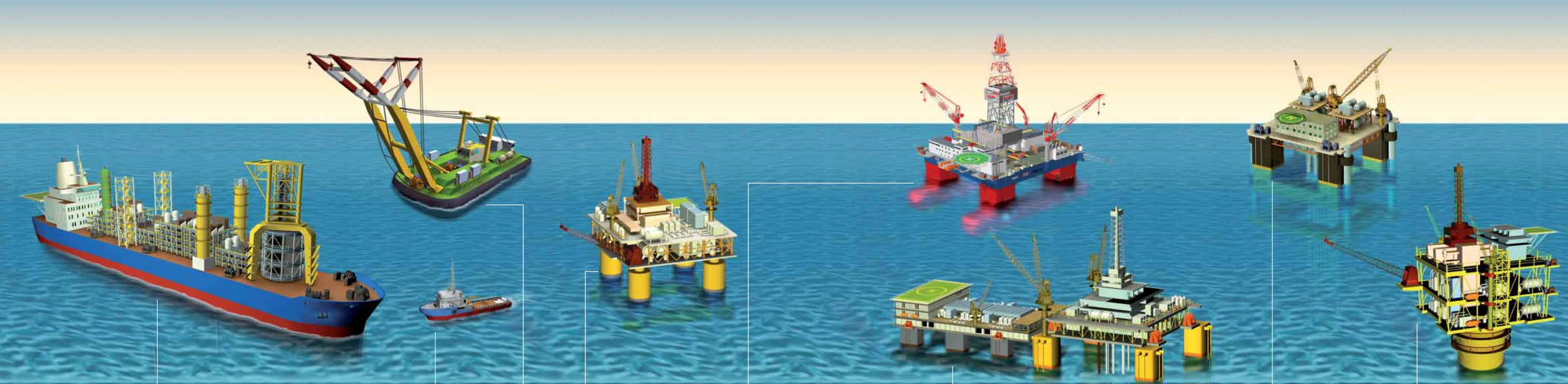


HA-KU-S

5



West Ariel



6



Sea Choctaw

7

8

9

10

11

12

13



Magnolia



West Berani



P-51



FPSO Polvo



Asian Hercules II



Maersk Developer



Safe Concordia



Technology and Innovation

Keppel O&M has a comprehensive suite of value-added design and engineering solutions. Our quality solutions to customers are enhanced by proprietary technology and vital engineering expertise.

1 Submersible (<30 ft)

- The entire mobile unit sits on the seabed during operation
- Designs: SBN1000N, SB2000I-C
 - Posted drilling barges: *Yani Rig 104* (2003), *Raissa* (2003)

2 Transportation Barge

- A flat-bottomed boat structure used to transport heavy products
 - Latest deliveries: *LASHIN 5* (2008), *LASHIN 4* (2008), *LASHIN 3* (2008)

3 Harbour Tug

- A small powerful boat assisting ships in docking, tying up to the piers and departure
 - Latest deliveries: *KST Safe* (2008), *Maju Mars* (2008), *Maju Mercury* (2008)

4 Jackup (up to 500 ft)

- Self-elevating mobile drilling unit that stands on its legs on the seabed during operation
- KFELS MOD VI design for North Sea
 - Completed projects: *Galaxy I* (1991), *Galaxy II* (1998), *Galaxy III* (1999)
- KFELS A Class for harsh environments like the North Sea
 - Latest delivery: *ENSCO 102* (2002)
 - Six units in operation for the KFELS MOD VI and A Class
- KFELS B Class for worldwide operations
 - 27 units in operation
 - Latest deliveries: *Greatdrill Chetna* (2009), *Virtue I* (2008), *West Ariel* (2008)
- KFELS Super B Class
 - Latest deliveries: *Deep Driller 8* (2009), *Deep Driller 6* (2008),

Ocean Shield (2008),
Ocean Scepter (2008)

- KFELS N Class
 - Under construction: Three KFELS N Class rigs (2010)

5 Fixed Platform (100 – 1,300 ft)

- Accommodation platforms
 - Latest deliveries: *HA-KU-M* and *HA-KU-S* platforms (2007)

6 Floating Production Storage and Offloading Facility (>4,000 ft)

- Ship-shape production facility
- Floater, yields to wind and currents of the sea
 - *Saga Varg* (1998), built by Keppel FELS
- More than 80 FPSO and FSO units converted and repaired by Keppel Shipyard
 - Latest deliveries: *Espirito Santo* (2008), *FPSO Ngujima Yin* (2008), *Lewek Arunothai* (2008), *Saxi Batuque* (2008)

7 Anchor Handling Tug / Supply Vessel

- Offshore support vessel
- Emergency stand-by / rescue and oil recovery vessel
- Off-Ship fire fighting
 - Latest deliveries: *Sea Kiowa* (2008), *Sea Choctaw* (2008), *Smit Laisa* (2008), *Smit Lumba* (2008)

8 Asian Hercules II (3,200 tonnes)

- One of the world's largest floating sheerleg cranes

9 Extended Tension Leg Platform (up to 6,000 ft)

- Platform that uses tendons to firmly anchor it to seafloor
 - Units in operation: *Magnolia* and *Kizomba A*

10 Semisubmersible Drilling Rig (up to 10,000 ft)

- Consists of two longitudinal lower hulls called pontoons, and operating upper deck is above water

- Floater, yields to wind and currents of the sea
- Designs: DSS™ 20, DSS™ 21, DSS™ 38, DSS™ 51, E8500 Series®
 - Latest deliveries: *Mærsk Developer* (2008), *ENSCO 8500* (2008), *Mærsk Explorer* (2003)
 - Under construction: 10 units

11 Semi-Drilling Tender (up to 8,000 ft)

- Operates with a TLP / Spar / Fixed Platform
- Consists of two longitudinal lower hulls called pontoons, and operating upper deck is above water
- Floater, yields to wind and currents of the sea
- Designs: KFELS SSDT™ 800, KFELS SSDT™ 3000, KFELS SSDT™ 3600
 - Latest deliveries: *West Berani* (2006), *West Setia* (2005)
 - Under construction: *West Vencedor* (2009), *West Berani III* (2011)

11 Semi-Accommodation Platform (up to 8,000 ft) (dynamically positioned)

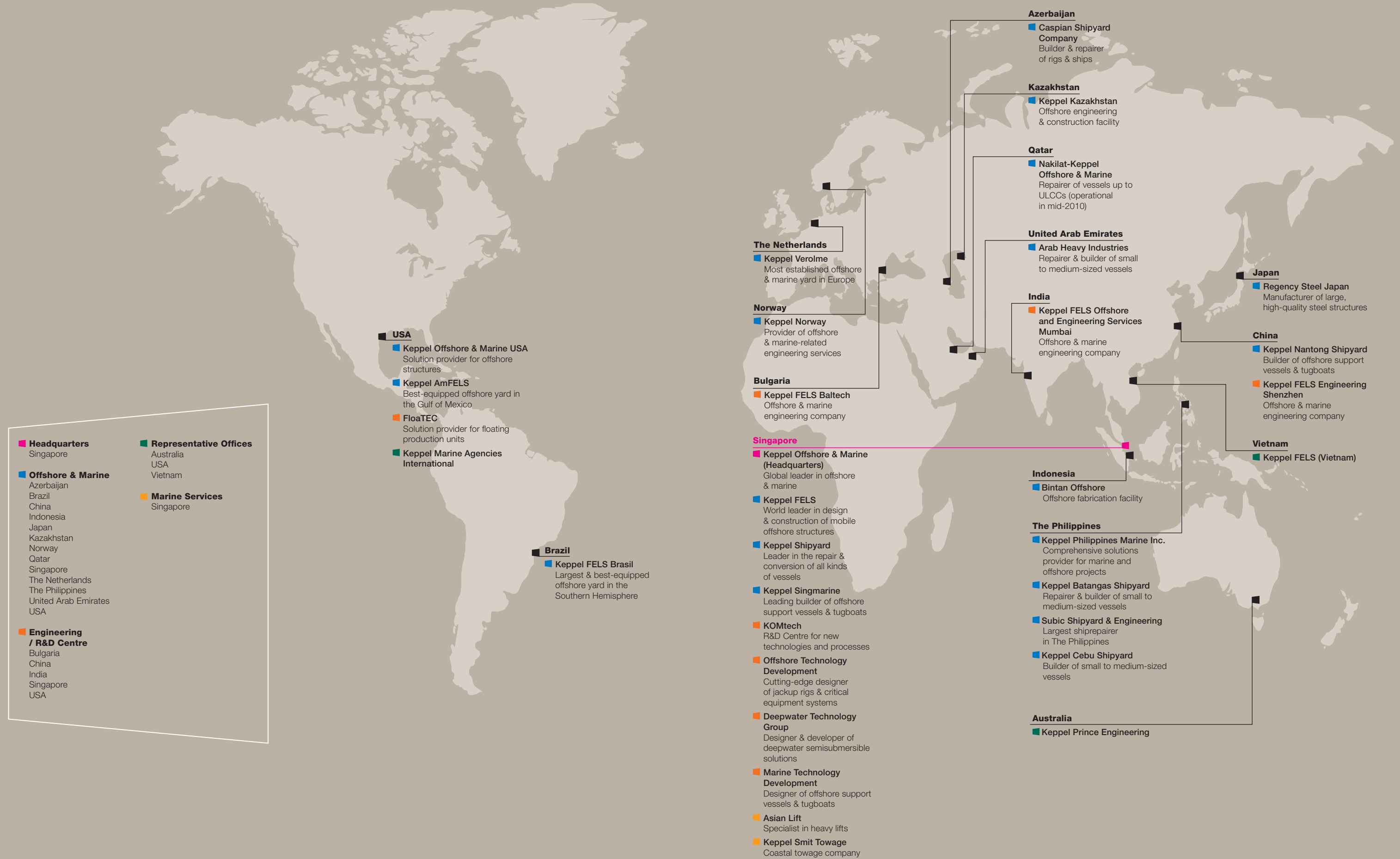
- Design: KFELS SSAU™ 3600
 - Latest delivery: *Safe Concordia* (2005)
 - Under construction: Two accommodation semis for Floatel International

12 Semisubmersible FPU (up to 10,000 ft)

- Latest design: DeepDraft Semi
 - Completed projects: *P-51* (2008), *P-52* (2007), *P-27* (1998), *P-18* (1993)
 - Under construction: *P-56* (2010)

13 Spar (up to 8,000 ft)

- Large cylinder supporting a typical rig platform, among the largest offshore structures. Uses cables and chains to anchor rig to seafloor



- Headquarters**
Singapore
- Offshore & Marine**
Azerbaijan
Brazil
China
Indonesia
Japan
Kazakhstan
Norway
Qatar
Singapore
The Netherlands
The Philippines
United Arab Emirates
USA
- Engineering / R&D Centre**
Bulgaria
China
India
Singapore
USA
- Representative Offices**
Australia
USA
Vietnam
- Marine Services**
Singapore

Driving a Difference with

HSE Excellence

Our mission is to ensure everyone goes home safe after a day's work, and we are pursuing this goal with steadfastness and full commitment.

For Keppel O&M, at the heart of workplace safety is a sense of responsibility. Driven by our goal to ensure that no one gets hurt at work, we co-launched with Keppel Corporation the Safety Starts with Me campaign to imbibe the sense of personal and collective responsibility in our employees and contractors.

At the same event, Keppel Shipyard unveiled its Safety Excellence 2010 initiative, a two-year programme that maps out how the yard is going to achieve this mission. Central to its programmes is the changing of mindsets and the equipping of its people with the essential competencies at work.

Keppel FELS and Keppel Singmarine have also introduced safety schemes into their organisational system including frequent management walkabouts to identify unsafe acts and implement corrective measures.

The same level of commitment to safety can be seen elsewhere in the Keppel O&M group as all shipyards continue to place safety as the first item for discussion in their regular operational meetings.

Yielding Improved Results

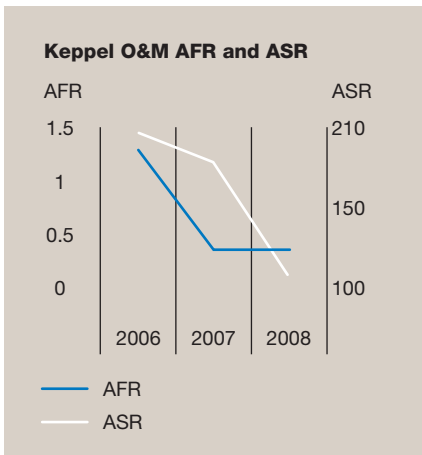
The Group's dedication to safety and health has produced our best-ever safety performance, amidst two consecutive years of record level workload across 20 yards worldwide.

For the second year running, the Group maintained an Accident Frequency Rate (AFR) of 0.37 reportable cases for every one million man-hours worked, which was significantly lower than the national average of 1.3 in 2008. Our Accident Severity Rate (ASR) improved markedly to 110 man-days lost in 2008 from 187 in 2007. ASR refers to the number of industrial man-days lost to workplace accidents per million man-hours worked.



The Keppel Group Safety Logo embodies the Group's inter-related set of values on safety where the individual elements of the inner core represent the five key safety principles while its outer strokes demonstrate its action plan.





AFR – Refers to the number of workplace accidents per million man-hours worked. Figures used are incident-based.

ASR – Refers to the number of industrial man-days lost to workplace accidents per million man-hours worked.



We work closely with our stakeholders including employees, subcontractors and suppliers to build a strong safety culture.

Despite the good results and our best efforts to improve safety, the Group regrets the loss of five lives through industrial accidents in its worldwide operations. The lessons learned from these tragic incidents were shared at the annual Keppel Group Safety Convention held on 16 September 2008 in Singapore.

Nevertheless, our sustained efforts have been recognised by customers and government agencies.

During the National Safety & Health Campaign 2008, the Ministry of Manpower and the Workplace Safety & Health (WSH) Council conferred Keppel Shipyard, Keppel FELS and Keppel Singmarine BizSAFE Partner Statuses for their continued efforts to elevate the safety capabilities of their subcontractors.

Promoting Safety

In our efforts to imbue a culture of safe practices in our workforce, we work closely with our stakeholders, including employees, customers, subcontractors and suppliers. Work for each project begins daily with a toolbox meeting with customers and subcontractors where safety measures are discussed and reinforced.

Keppel O&M organised the Keppel Group's second Annual Safety Convention and shared lessons learnt from the fatal accidents during the year. We also won the Chairman's Challenge Trophy for implementing effective safety programmes and initiatives, and efforts in safety innovations. We also invited an external safety consultant to address the Keppel Group on building a safety culture.

Across the yards, annual safety promotion campaigns are organised to change the mindsets of workers and encourage best safety practices, as well as instil the importance of creating a safe workplace. At Keppel FELS's annual safety promotion campaign held in April 2008, the company focused on the prevention of hand and finger injuries amongst its workers and subcontractors.

Keppel Shipyard continued its observation and intervention skills training for more supervisors and workers under its Safety Leadership Programme and Safety Promoter Scheme. Active participation was solicited from the Workers' Union through its Workforce Safety Councils and subcontractors through the Contractors Health Safety and

"I am impressed by the quality of this vessel [Sea Kiowa] that Keppel Singmarine has built for us. The previous two AHTS vessels were also delivered on time and in a safe manner to our full satisfaction. Timely and safe deliveries are critical for us."

Mr Gene Leech,
Executive VP of GulfMark

Environment Watch Groups to stamp out incidents at its yards. Together, they conducted regular walkabouts aimed at further enhancing workers' health and safety at the workplace.

Keppel FELS sustained its proactive effort to enlist the help of customers in the promotion of safety. Each of its projects has specific initiatives, with clear goals to achieve. Rewards were given by customers such as ENSCO, Transocean, Maersk Contractors, Aban Offshore and Awilco Offshore to the respective project teams for major milestones reached without lost-time incidents (LTI).

As part of Keppel Verolme's safety efforts, six additional occupational health and safety ambassadors were appointed as role models to instil the importance of workplace safety. Its Safety Regulations & Rules of Conduct booklet was updated and distributed.

Together with their customer ENSCO, Keppel Batangas enhanced its effort by introducing a safety incentive

programme which rewards safe practices of individuals.

Keppel AmFELS kept up its Safety Awareness Programme, a behavioural-based safety management programme to identify and correct unsafe acts and conditions. Supervisors and superintendents with good safety records in their work were acknowledged and rewarded at a Supervisory Award Ceremony.

Introducing New Initiatives

Over and above their existing programmes and activities, many of our shipyards launched new safety initiatives in 2008.

Keppel Shipyard's Safety Plus Programme was also adopted by Keppel Singmarine for its workforce. To further enhance this Programme, Keppel Singmarine formed a taskforce comprising the General Manager (Production), Yard Production Managers and the respective Section

Continued on page 70 ...

"Safety and execution excellence require strong leadership skills and alignment. SBM and Keppel have demonstrated their commitment by delivering the Kizomba C vessels on time with a safety record far exceeding previous levels. Keppel is pursuing their new "Safety Excellence 2010" programme to help assure excellent performance in the future. I applaud your visible leadership and the dedication of your workers. ExxonMobil will continue to support your efforts to assure 'Nobody Gets Hurt'."

Mike Flynn
Vice-President
ExxonMobil Development Company

Everyday before work begins, toolbox meetings with customers and subcontractors are held to reinforce safety measures.



Safety Excellence 2010

Upkeeping a safe and healthy work environment demonstrates an important part of Keppel Shipyard's care and concern for staff welfare. The Company's safety work plan is always an integral part of its continued efforts to improve operational efficiency.

On 22 May 2008, Keppel Shipyard deepened its commitment to its workforce by launching the Safety Excellence 2010 (SE2010) programme to equip and empower its entire workforce, including contractors, with the knowledge and skills to create an incident-free workplace.

The launch of SE2010 was endorsed by all of Keppel Shipyard's stakeholders, and witnessed by Minister of Manpower, Mr Gan Kim Yong.

The SE2010 initiatives were developed with the involvement of customers including ExxonMobil Development Company (EMDC), Shell International Exploration

and Production (Shell), Single Buoy Moorings (SBM), Prosafe Production, BP and BW Offshore. Together, they pledged an initial amount of more than \$2 million towards various safety schemes under the SE2010 initiative. The main beneficiaries of the customer sponsorships are subcontractors who make up two-thirds of Keppel Shipyard's total workforce.

SE2010 comprises a series of comprehensive programmes to be implemented in a systematic and focused manner to drive safety practices and behaviours deep into Keppel Shipyard's workforce. The aim is for everyone to be proactive in improving their own safety.

Immediately following the launch of SE2010, several programmes were rolled out. These included the training and promotion of leaders for safety, risk assessment plans, the review and enhancement of infrastructure, the equipping of personnel with the right skills and competencies, as well as incentives for personnel exhibiting safe behaviours.



1



2

1 SE2010 was launched with the support of our safety partners to create an incident-free workplace.

2 Customer involvement is key to SE2010.

In addition, Keppel Shipyard also organised a Contractors Safety Forum to encourage them to become safety partners in promoting an incident-free work environment. A Safety Best Practice Team was also set up under the SE2010 to look into areas including tools and equipment that can help to improve the safety of workers.

Within seven months of launching SE2010, Keppel Shipyard has trained some 9,000 direct and subcontract workers in programmes such as the Safety Leadership Programme, the Workforce Safety Promoter Scheme and the WSH Officer Conversion Scholarship.

The Safety Journey

The Safety Excellence 2010 programme represents the fourth and latest phase in Keppel Shipyard's safety journey since 2002.

The first phase saw the implementation of the Safety Plus Programme in 2002, which was focused on Behavioural Based Safety and encouraging line managers to take ownership of workplace safety and to raise general awareness of safety in the yard among its multi-national workforce.

The second phase, which started in 2003, targeted at the involvement of subcontractors' management in our Safety Plus Programme through the Safety Stewardship. Subcontractors formed the critical mass of the workforce and the engagement of their management provided the paradigm shift in the safety culture of Keppel Shipyard.

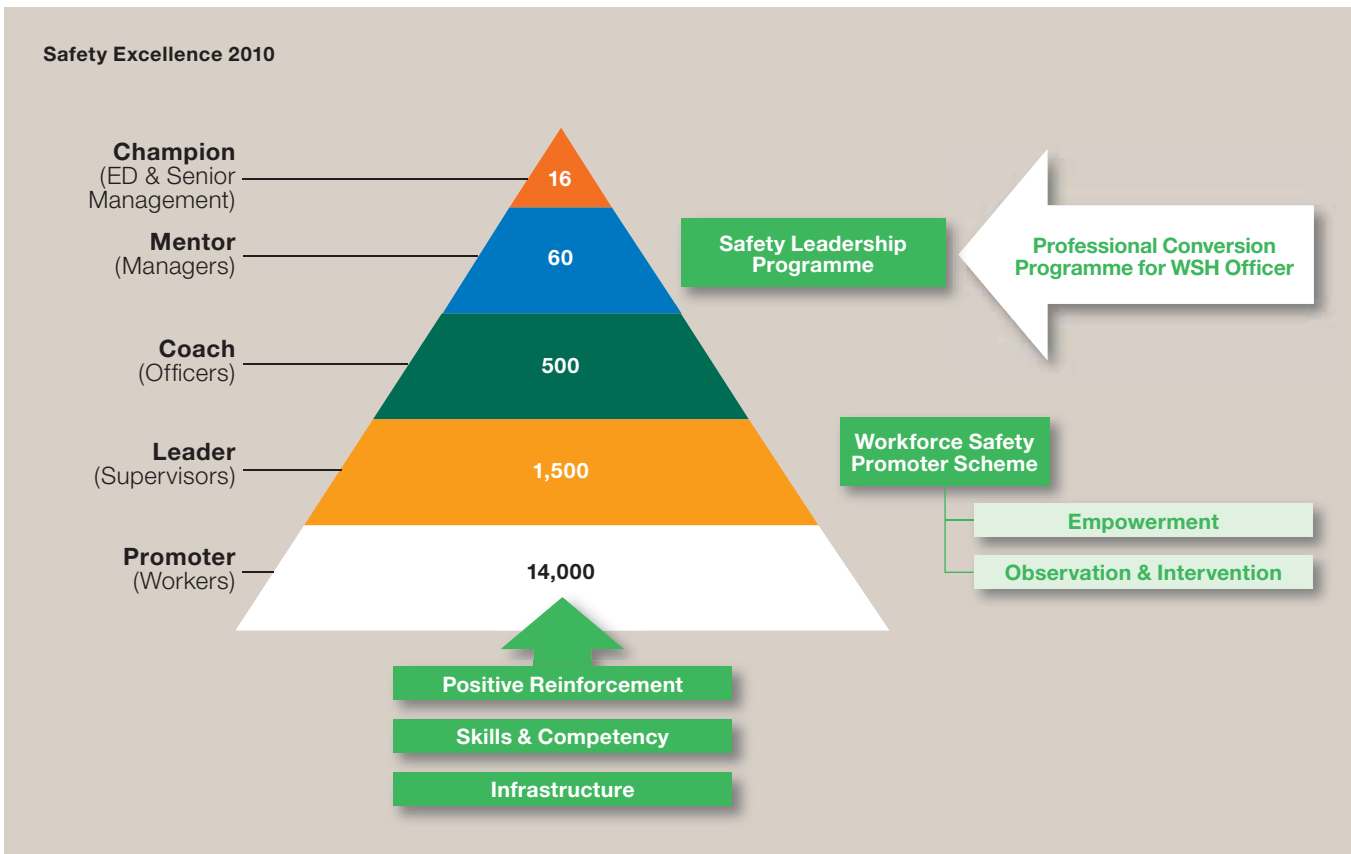
This was followed closely by the Safety Leadership Programme in phase three which cascaded safety ownership further down to the line supervisors. The Safety Leadership Programme,

which equips supervisors with observation and intervention skills, provided the impetus to drive safety at the workplace. As they work closely with their workers, supervisors will be able to influence their workers' safe behaviours through role modelling and safety leadership. More than 3,000 supervisory staff both direct and indirect were trained in 2007.

With personal and collective ownership as its theme for this fourth phase, Keppel Shipyard is actively training and empowering every single employee and subcontract worker to be responsible for his own, as well as his colleagues' well-being. It will bring the yard closer to its goal of an incident-free workplace.

Keppel Shipyard is actively training and empowering employees and subcontractors to be responsible for their safety.





... continued from page 67

Managers for daily walk-throughs of its yards. As a BizSafe Partner with the WSH Council, Keppel Singmarine organised a Workplace Safety and Health Management System (WSHMS) course for its subcontractors to help them develop a safety management system. A Risk Assessment workshop was also organised for its entire workforce including subcontractors.

During the year, Keppel FELS introduced a Safety Leadership Initiative for its semisubmersible projects aimed at getting supervisors to lead by example in their safety efforts. The company also started the managers' weekly Zone HSE walkabouts to look out for unsafe acts or conditions.

Awards and Accolades

Keppel Singmarine became the first shipyard to clinch the Silver Award at the WSH Award 2008 organised

"I would like to pay a special tribute to the Keppel team. It is particularly impressive that the construction [of *Maersk Resolute*] has taken place under a very commendable safety regime and performance. More than 4.7 million man-hours have gone into the construction and I'm pleased to acknowledge that construction has now been completed without any lost-time incidents."

Mr Claus Hemmingsen
CEO
Maersk Drilling

"Congratulations Keppel, Prosafe project teams and Union Representatives. You have done it again. It is extremely valuable that we have received four million incident-free man-hours on three vessels. What is impressive about Keppel Shipyard is its consistency in safety."

Mr Roy Hallas,
President
Prosafe Production

Significant Safety Milestones in 2008

Yard	Project	No. of Man-Hours without LTI	Client
Keppel Shipyard	<i>FPSO Espirito Santo</i>	6.7 million	SBM
Keppel Shipyard	<i>FPSO Saxi Batuque</i>	6 million	SBM
Keppel Shipyard	<i>Cidade De Sao Mateus</i>	5.3 million	Prosafe
Keppel Shipyard	<i>Ningaloo Vision</i>	4.1 million	Prosafe
Keppel Shipyard	<i>FDPSO Azurite</i>	3.7 million	Prosafe
Keppel Shipyard	<i>Lewek Arunothai</i>	1.6 million	EMAS
Keppel FELS	<i>Maersk Developer</i>	7 million	Maersk Drilling
Keppel FELS	<i>ENSCO 8500</i>	7 million	ENSCO
Keppel FELS	<i>Sedco 706</i>	5 million	Transocean
Keppel FELS	<i>Ocean Monarch</i>	5 million	Diamond Offshore
Keppel FELS	<i>Maersk Resilient</i>	4 million	Maersk Drilling
Keppel FELS	<i>Maersk Resolute</i>	4 million	Maersk Drilling
Keppel FELS	<i>Ocean Shield</i>	3 million	Diamond Offshore
Keppel FELS	<i>Al-Zubarah</i>	3 million	Gulf Drilling
Keppel FELS	<i>Deep Driller 6</i>	2 million	Aban
Keppel FELS	<i>Discovery I</i>	2 million	Jindal
Keppel FELS	<i>Deep Driller 8</i>	2 million	Aban
Keppel FELS	<i>Virtue I</i>	1 million	Jindal
Keppel FELS	<i>West Ariel</i>	1 million	Seadrill
Keppel Singmarine	<i>H-326 (Ice class FSO)</i>	1.4 million	LUKOIL
Keppel Singmarine	<i>VARANDEY</i>	1.3 million	LUKOIL
Keppel Singmarine	<i>TOBOY</i>	1 million	LUKOIL
Keppel Singmarine	<i>H-340 (Pipelay barge)</i>	1 million	Global

by the WSH Council and Ministry of Manpower. Meanwhile, Keppel FELS and Keppel Shipyard bagged a total of 11 awards under the Safety & Health Award Recognition for Projects (SHARP) while Keppel Shipyard won five awards under the same category.

Keppel Singmarine also won the Gold Award at the WSH Innovation Convention 2008 for its project 'Safe Stabiliser'. A new WSH Award category for exemplary supervisor HSE performance at the workplace was conferred on Mohd Babui Arman Khan of Keppel Shipyard and

Shukumar Dey Nishi Kanta of Keppel Singmarine.

Actively seeking to improve safety through innovation, a team from Keppel Singmarine won Gold for 'Safe Stabiliser' and Silver for 'Safe Magnetic Pipe-lifter' at the 11th WSH Innovations Marine Industry Convention organised by the Association of Singapore Marine Industries. The 'Safe Stabiliser' prevents injuries caused by things toppling on workers while the Silver award-winning team's 'Safe Magnetic Pipe-lifter' promotes proper pipe-handling and prevents pipe-dropping.

Keppel Shipyard (Gul) secured the Bronze Award for coming up with a magnetic lock-out and tag-out (LOTO) tag that prevents accidental energisation of electrical panels. Apart from these awards, projects in the yard also received special commendations from clients for the excellent safety records achieved.

In the US, Keppel AmFELS was lauded by the ALMA Company (Workers Compensation Insurance) as the largest facility with the best safety programme and safety record within the insured group.

Responsible Business Operations

We seek to protect the environment by proactively eliminating, reducing and mitigating the environmental impact of all our business activities.



Green Vision

Our commitment to sustainable development not only aims to protect the environment but also to ensure responsible and efficient operations.

At Keppel O&M, we launched our Green Vision in July 2008 to encourage our employees to embrace sustainable business practices and a green culture. In particular, we urge employees to be vigilant and responsible in the use of natural resources.

Keppel FELS and Keppel Shipyard have long been certified with Occupational Health and Safety Assessment Series (OHSAS) 18001 and ISO 14001 Environmental Management System respectively. Keppel FELS Brasil has attained both certifications.

Keppel Shipyard set up an Environmental Task Force in 2007 to monitor environmental issues as well as roll out key performance indicators under the environmental management system. Environmental officers were appointed to specifically look after environmental issues in the yard. An annual external audit was conducted in November 2008 to ensure compliance with ISO 14001 standard.

Keppel O&M's shipyards across the globe continue to support environment protection activities. In our effort to minimise the impact of our daily operations and activities on the environment, the principle of reduce, reuse and recycle has been implemented throughout our organisational system and corporate practices.

A few examples involve printing name cards on environment-friendly paper, employing electronic systems for pay slips and performing web-based appraisals. Continuous efforts are also seen in our operations, such as carrying out grit blasting in enclosed chambers, using netting or canvas for big structures to reduce dispersion and actively encourage hydroblasting whenever feasible.



Hydro-blasting is employed for projects whenever feasible to prevent grit and dust dispersion.

In the US, Keppel AmFELS has always conformed to Texas State Air Quality Permit and Federal Operating Permit Requirements. Keppel Batangas in the Philippines continues to buttress municipality efforts to keep the coastline in the Batangas Bay pollution-free.

Utilities usage is reduced with the deployment of effective instruments and power-saving, energy-efficient methods such as energy-saving lights and inverter air-conditioning split units for projects. Employees are encouraged to switch off equipment such as blowers, welding machines and spotlights when not in use.

The substations in some of our yards have been upgraded to increase electrical power supply output in order to reduce the use of portable generators, thus saving diesel fuel, reducing noise and exhaust gas emissions.

Three types of recycling bins have been set up at various locations in the yards to facilitate the waste segregation process. The accumulated waste are then sorted according to the different grades and scrapped accordingly at the yards' production areas.

Environmental awareness programmes were also organised, such as educational talks by the Public Utilities

Board and National Environment Agency conducted across the Keppel O&M yards, a group-wide green campaign launched on World Environment Day, and the free screenings of the climate change movie, *An Inconvenient Truth*, for employees in the month of July 2008. A series of events centred around recycling, energy saving and climate change were even carried out in conjunction with World Environment Day.

During the year, employees of Keppel Shipyard and Keppel Singmarine were also actively engaged through the adopt-a-bin competition where they designed and decorated 120-litre waste-bins as a show of their commitment to recycling, energy conservation and waste reduction. Energy-saving tips were broadcast to all employees to advise them on the methods to reduce electricity usage. Banners and posters educating workers about reusing paper, plastic, glass and metals were displayed prominently throughout our yards.

Beyond the workplace, employees were encouraged to make protection of the environment their way of life. Each of our employees in Singapore received a pocket guide, 'Protecting our Environment', made from recycled paper, offering useful resource-saving tips.

Operations Review and Outlook

We continue to hone our core competencies and strive for operational excellence to deliver on our promises across 20 global yards.



2008 was a busy and challenging year for Keppel O&M's business units as they posted steady growth amidst volatile oil prices and a tightening offshore and marine market.

Offshore

Keppel FELS

Despite the volatile environment, Keppel FELS secured a total of eight repeat newbuild contracts in 2008 – three jackups and five semisubmersibles (semis) from Seadrill, PetroVietnam Drilling (PVD), Queiroz Galvão Óleo e Gás (QGOG) and Ensco International (Ensco).

Of these new orders, five will be built to Keppel FELS's proven rig designs, entrenching its reputation as the offshore industry's preferred solutions provider. These units include a KFELS B Class drilling jackup for PVD, and two KFELS B Class units and an SSST™ 3600E drilling tender for Seadrill. Continuing to benefit from the buoyant deepwater Brazilian market, Keppel FELS also received an order for a DSS™ 38 semi from QGOG.

During the year, the yard was kept busy with close to 30 offshore projects at various stages of completion. The eventful year culminated with record deliveries of nine jackups and two semis.

Of these, eight were Keppel-designed rigs: two KFELS Super B Class jackups, Diamond Offshore's *Ocean Shield* and Aban Singapore's *Deep Driller 6*; and five KFELS B Class jackups including Awilco's *WilBoss*, Gulf Drilling's *Al-Zubarah*, Seadrill's *West Ariel*, and Jindal's *Discovery I* and *Virtue I*.

Jindal's KFELS B Class jackups were further enhanced to meet Oil and Natural Gas Corporation's unique requirements of environment, bearing pressure and rig geometry. Notably, both rigs were delivered early and with clean safety records, attesting to Keppel FELS's finesse in project



WilBoss was delivered ahead of schedule, attesting to Keppel FELS's excellence in project management and commitment to deliver.

management and execution. *Discovery I*, in particular, was delivered 49 days ahead of schedule.

The first two of Maersk Drilling's four CJ 50 jackups, *Maersk Resilient* and *Maersk Resolute*, were also rolled out successfully. These were followed by *Maersk Developer*, the first of three DSS™ 21 deepwater semis at year end.

Developed by Keppel's Deepwater Technology Group in collaboration with Marine Structures Consultants of the Netherlands, Keppel's DSS™ Series of semis are the most technically advanced deepwater drilling rigs to be designed and completed by Singapore to date.

Following the prototype DSS™ 20 *Maersk Explorer*, constructed jointly with Caspian Shipyard Company out of Azerbaijan in 2003, the *Maersk Developer* was the first DSS™ Series semi Keppel FELS completed in Singapore.

DSS™ Series semis boast several cost-efficient and distinctive safety features for rig operators. They have a heavy-duty

payload of 13,500 tonnes and distinct 'double-skin' columns, which protect the critical equipment from damage by external impact. Well-suited for offshore Brazil, West Africa, Gulf of Mexico and Southeast Asia, these semis can operate at a water depth of 3,000 metres and a drilling depth of 10,000 metres below the mudline.

ENSCO 8500, the first unit in a fleet of seven ENSCO 8500 Series® ultra deepwater drilling semis being built exclusively at Keppel FELS for Ensco, was delivered. The entire fleet of seven 8500 Series® rigs, worth over US\$2.5 billion, is estimated to contribute to a third of Ensco's total revenue when fully operational.

On the repair and conversion front, the yard completed work on major upgrading and conversion projects, namely Diamond Offshore's *Ocean Monarch*, Transocean's *Sedco 706* and *Trident XV*. There were also quick turnaround repair and upgrading jobs on Seadrill's *West Prospero*, Aban's *Murmanskaya*, *Deep Driller 5* and *Aban Pearl*; as well as ongoing repair and upgrading works on *Trident IX*, among others.

Operations Review and Outlook

Outside the yard, Keppel FELS's team of rig specialists was also called upon extensively for urgent on-location repairs in Malaysian, Indonesian, Vietnamese and Indian waters.

Exploiting its core strengths and shipyard expertise, Keppel FELS is positioned to support the market in repair and upgrading jobs for jackups and semis, as well as semi completion projects.

Safety continues to be an utmost priority at Keppel FELS during its busy period. In 2008, the yard achieved perfect safety records on ten projects, each clocking more than two million

man-hours; and on another eight projects, over one million incident-free man-hours each. Keppel FELS was recognised for its HSE excellence with safety awards from Maersk Drilling, QGOG, Aban, Awilco, Transocean, Mercator and Floatel.

During the year, Keppel FELS clinched the prestigious MAXA 2008 Award, the first for a Singaporean enterprise. The annual MAXA Awards is jointly conferred by the Economic Development Board, McKinsey & Company and the Singapore-MIT Alliance to companies exhibiting the highest global standards in manufacturing innovation and operational excellence, as well as long-term sustainability.

To enhance its capacity, Keppel FELS is constructing a new 300 metre-long jetty at Pioneer Yard. To be completed by end-2009, the new extension will allow Keppel FELS to meet its current contract obligations and prepare for the future.

The year ahead in 2009 will be a challenging one with the shifting business landscape and tightening offshore market. With a strong orderbook extending into 2012, Keppel FELS remains focused on enhancing its competencies to achieve excellence in project execution and entrench its reputation for delivering on its promises.

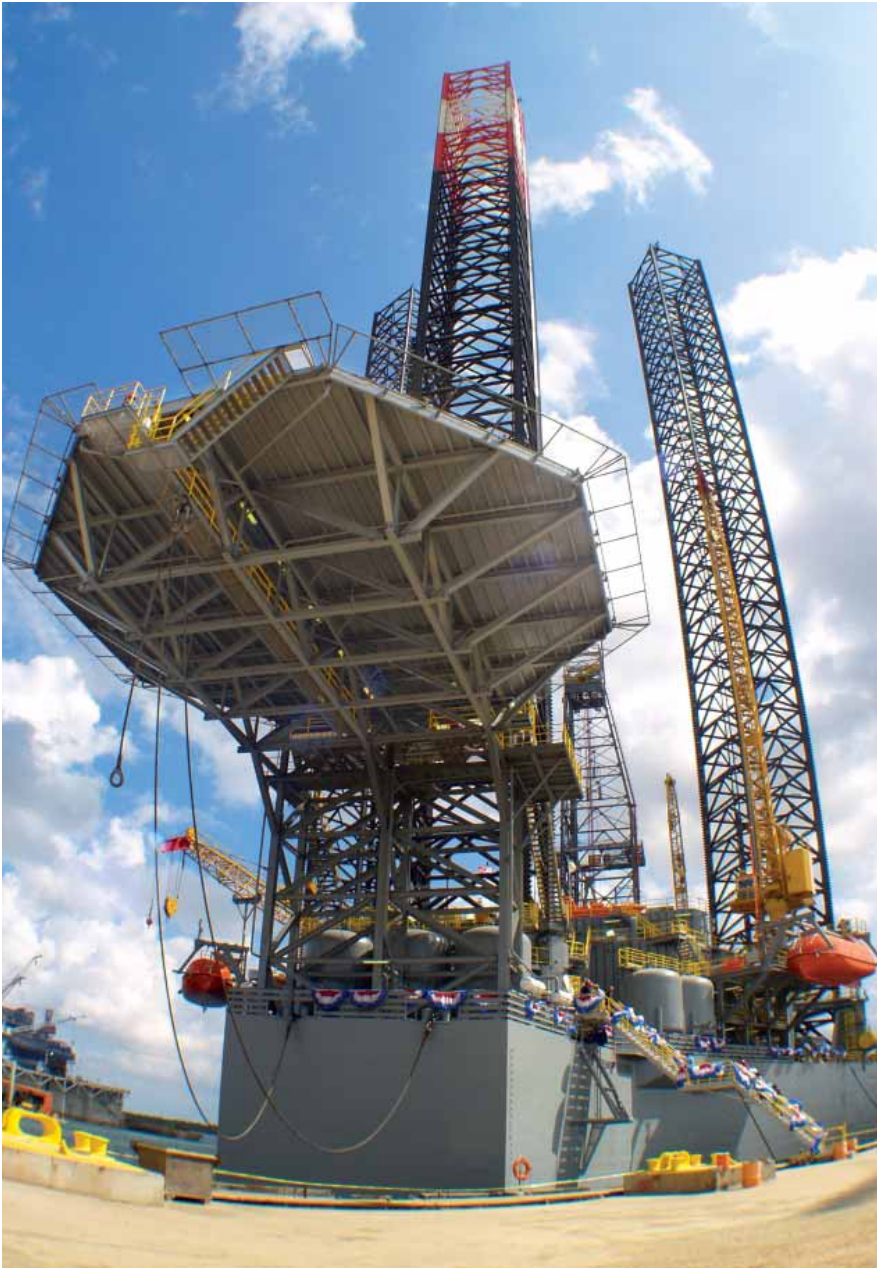
Keppel AmFELS

Keppel AmFELS performed well in 2008 having successfully delivered four newbuild jackup rigs and completed three repair jobs. Of the newbuild rigs, two were delivered to Scorpion Offshore and one each to Atwood Oceanics and Diamond Offshore. Repair and modification jobs completed were the *Ocean Yorktown*, *Ocean Valiant* and *Pride Oklahoma*.

The yard will be busy in the year ahead with ongoing work on *Central Panuco Tuxpan*, *Rowan Ft Worth II*, *Rowan*

Maersk Developer is the first DSS™ Series semi Keppel FELS has completed in Singapore.





Keppel AmFELS performed well in 2008, completing three repair jobs and delivering four newbuild jackups, of which two were for Scorpion Offshore.

Houston II, *Rowan New Orleans II* and *Rowan Texas II*. These vessels are in various stages of completion and will be delivered progressively from 2009 to 2011.

A study by Douglas Westwood indicates that the deepwater sector will continue to attract investments worldwide averaging US\$27 billion annually through 2013. The Gulf of

Mexico is expected to account for a large part of these investments.

In the Gulf of Mexico, Mexico's Petroleos Mexicanos (Pemex) is focusing on ramping up existing offshore fields in shallower waters. Pemex is also tapping oil in fields at water depths of over 500 metres, which the government estimates to have 30 billion barrels of crude oil

equivalent. The first deepwater well will come online by 2015.

Since its establishment in 1990, Keppel AmFELS has built up its facilities to become the most well-equipped offshore shipyard in the Gulf of Mexico. The yard has repaired and refurbished ten jackup rigs that went on to work for Pemex to date.

With its prime position at the doorstep of this mature market, Keppel AmFELS will continue to pursue repair and refurbishment work on rigs in the Gulf of Mexico, with emphasis on the Mexican sector. It will also target the construction of SPAR and TLP hulls for longer-term base workloads.

Keppel FELS Brasil

Keppel FELS Brasil delivered the *P-51* semi floating production unit (FPU) in 2008, which has successfully achieved first oil in the Marlim field in January 2009. For the excellent project management and execution by Keppel FELS Brasil, *P-51* won Petrobras, PRODEP award for two consecutive years in 2006 and 2007. *P-51* is expected to reach its maximum operating capacity and account for 8% of Brazil's domestic oil production by 2010.

Meanwhile, her sister FPU *P-52*, delivered by BrasFELS yard in 2007, continued to perform above expectations, achieving up to 180,000 barrels of oil per day (bopd) in October 2008. *P-52* was credited by Petrobras as its best performing platform, having achieved 97% of nominal production in her first year of operation.

Together, the projects delivered by Keppel to Petrobras contribute a total production capacity of more than one million bopd, equivalent to over 50% of Brazil's present offshore production.

Keppel FELS Brasil continued to secure new jobs in 2008. These include a leg repair job for Petrobras's *P-IV* jackup, which was successfully completed in the same year; the construction,



The FPSO *P-51* which successfully achieved first oil in January 2009, is expected to reach its maximum operating capacity and account for 8% of Brazil's domestic oil production by 2010.

integration and commissioning of SBM's *P-57* FPSO modules; and repair work for Diamond Offshore's semi drilling unit, *Ocean Concord*.

Petrobras recently announced that it expects to invest US\$104.6 billion in E&P in Brazilian waters for the period spanning 2009–2013, up US\$39.5 billion from the US\$65.1 billion laid out in the preceding 2008–2012 plan. It also intends to dedicate significant efforts in evaluating and developing discoveries in the pre-salt layer of the Santos and Espírito Santos basins. Of the new projects in the E&P segment, about US\$28 billion relate to pre-salt development.

Keppel FELS Brasil will continue to leverage its strong local presence, experience and track record to strengthen its leadership position in the Brazilian offshore market. Having established a win-win partnership with Petrobras over several important projects puts Keppel in a good

position to support their plans to boost production.

Keppel Verolme

Keppel Verolme achieved an increase in revenue of 10% in 2008, with substantial revenue stemming from the offshore division.

Revenue from the offshore and shiprepair divisions improved 31% and 11% respectively. European customers still constitute the major market, which accounted for 99% of Keppel Verolme's revenue over the past two years. Major offshore rig projects executed include the upgrading and modifications of the semi *Blackford Dolphin*, outfitting of *YME MopuStor*, completion and installation of topsides for *Sevan Voyageur* FPSO and repair and maintenance of Saipem's *S7000* crane pipe lay vessel.

Having evaluated all possible options, the *MPU Heavy Lifter* project was terminated by Keppel Verolme,

following customer MPU Offshore Lift's bankruptcy in July 2008. The disposal of this unit's concrete hull has released the drydock and other valuable resources for Keppel Verolme.

In 2009, the company expects to complete work on *MSV Regalia* – a major upgrade and modification of a semi for Prosafe as well as the repair and maintenance of *Seafox 1*, a jackup for Workfox of the Netherlands. In the next few years, Keppel Verolme will continue to focus on selected niche markets where it has built up significant capabilities and track record. These include FPSO completion and outfitting projects; cruise vessel lengthening; and hull outfitting jobs for semis.

Caspian Shipyard Company

In 2008, Caspian Shipyard delivered four pipe racks and completed a second batch of 1,000-tonne foundation steel for Agip KCO. Two remaining pipe-racks and another 3,000-tonne foundation steel are scheduled for delivery to the same customer in mid-2009 and September 2009 respectively. The yard also completed two cutting barges for BUE Marine.

During the year, Caspian Shipyard's productivity was given a boost with the relocation of mechanical and electrical workshops for steel and pipe fabrication, as well as building of new covered work areas. New capacity was also added to Caspian Shipyard's facility after it took over part of SOCAR's Zykha yard.

Azerbaijan's political environment remains stable following the re-election of President Ilham Aliyev for another five-year term. The successful completion of SOCAR's restructuring has also brought about closer ties with Kazakh national oil company, KazMunayGaz (KMG), and Turkmenistan.

These developments present opportunities for the yard to explore new markets, such as the undeveloped fields

in Turkmenistan waters and the Russian sector of the North Caspian Sea.

In anticipation of higher local content requirements, Caspian Shipyard will continue to fortify its strong business relationship with SOCAR, and focus on developing and empowering its local workforce.

Looking ahead, Caspian Shipyard's improved capacity will put the company in good stead to pursue potential jobs in the Caspian Sea's closed markets, such as the cantilever barge rig project for ExxonMobil Kazakhstan and BP's Shah Deniz Stage 2 (Living Quarters and Subsea Manifolds). Caspian Shipyard will continue to leverage its synergy with Keppel Kazakhstan, Keppel FELS and Keppel Singmarine to better service its customers in this region.

Keppel Kazakhstan

Keppel Kazakhstan enjoyed a productive year in 2008. The company delivered three transportation barges and three pipe racks to Agip KCO, achieving a strong safety record of 4.6 million incident-free man-hours on them. The pipe racks will be deployed in the Kashagan field, one of the largest oil fields discovered in the last few decades.

During the year, Keppel Kazakhstan upgraded its yard facilities substantially and added five workshops and a warehouse. A new office and a four-storey dormitory will be completed soon in the first quarter of 2009. Keppel Kazakhstan will continue to improve its yard facilities to meet the specific requirements for the construction of special-purpose offshore platforms and vessels in the Caspian Sea region.

Keppel Verolme will continue to focus on selected niche markets where it has built up significant capabilities and track record.



Marine & FPSO Conversions Keppel Shipyard

In 2008, Keppel Shipyard achieved record revenue of nearly S\$1.6 billion, a 14% increase over the previous year, on the back of high levels of Floating Production Storage Offloading (FPSO) / Floating Storage Offloading (FSO) conversion and shiprepair activities.

Notably, conversion projects contributed to 59% of total revenue, while shiprepair activities made up 36%. Despite stiff competition, revenue from shiprepair increased by 8% in 2008. The number of repair jobs and average revenue per vessel also improved.

During the year, Keppel Shipyard worked on a total of 16 FPSO/FSO/FSRU conversion projects and five other major projects involving vessel lengthening, construction, and drillship upgrading. Of these, eight FPSO/FSO/FSRU conversions and one drillship upgrading were completed in 2008.

To date, Keppel Shipyard has completed about 80 FPSO/FSO/FSRU conversion, upgrading and repair projects, entrenching its global leadership position for such projects. The yard is presently undertaking another eight FPSO/FSO/FSRU projects along with four vessel construction and lengthening jobs.

Highly regarded in the industry for its strong capabilities and quality service to customers, Keppel Shipyard was honoured with the Shiprepair Yard Award for the fourth consecutive time at the 10th Lloyd's List Maritime Asia Awards. Keppel Shipyard was also conferred the top Shipyard Award at the Inaugural Seatrade Asia Awards in 2008.

Affirming its commitment to high HSE standards, Keppel Shipyard launched its Safety Excellence 2010 programme, which encompasses a range of safety initiatives and upgrading schemes for its entire workforce, including its large pool of subcontractors. The major stakeholders partnering Keppel Shipyard in this exercise include ExxonMobil Development Company, Shell International Exploration and Production, Single Buoy Moorings (SBM) and Prosafe Production.

Keppel Philippines Marine

2008 was a sterling year for Keppel Philippines Marine Inc. (KPMI) with most of its shipyards posting good revenue and earnings growth. KPMI achieved consolidated revenue of Peso 3.87 billion, 18% higher than the year before. Fifty-six per cent of total revenue came from shipbuilding and offshore fabrication projects whilst shiprepair accounted for the remaining 44%.

Projects secured in 2008

In spite of the challenging environment, we clinched \$5.2 billion worth of contracts for the year with project deliveries stretching into 2012.

Keppel FELS

- KFELS B Class jackup for PV Drilling
- Three ENSCO 8500 Series® semis for Ensco
- DSS™ 38 series semi for QGOG
- Two KFELS B Class jackup units for Seadrill
- SSDT™ 3600E drilling tender for Seadrill
- Semi repair for Aban
- Jackup repair for Transocean

Keppel Shipyard

- Drillship outfitting for Frontier Drilling
- Conversion of a FPSO for Maersk FPSO
- Conversion of FPSO *BW Pioneer* for BW Offshore
- Conversion of FPSO *Armada Perdana* for Bumi Armada
- Lengthening of dredger *Queen of the Netherlands* for Boskalis
- Upgrade of FPSO *BW Peace* for BW Offshore
- Conversion of FPSO *P-57* for SBM
- Conversion of FSRU *Golar Winter* for Golar
- Conversion of FSO *M3 Susane* for M3nergy
- Turret construction for SBM
- Conversion of FPSO *Okha* for SBM

Keppel Singmarine

- Derrick pipelay vessel for Global Offshore
- Derrick pipelay vessel for GSP
- Two AHT for Seaways

Keppel AmFELS

- Semi repair for Diamond Offshore

Keppel FELS Brasil

- FPSO modules and integration for SBM
- Jackup repair for Petrobras

Keppel Verolme

- Upgrade of semi, *MSV Regalia*, for Prosafe
- MOPU outfitting for SBM

Keppel Cebu Shipyard

- Two tugs for Keppel Smit
- A tug for Salalah

Keppel Kazakhstan

- Two pontoons for Agip KCO

Caspian Shipyard Company

- Two barges for BUE Marine



Keppel Shipyard has established its leadership position in the conversion, upgrading and repair of FPSO/FSO/FSRU vessels with a strong track record of having completed about 80 such projects.

Operations Review and Outlook

Keppel Batangas Shipyard's revenue grew by 39% on the back of a two-fold rise in shipbuilding and offshore fabrication jobs, which accounted for 63% of total income. In shipbuilding, Keppel Batangas delivered the 45-tonne bollard pull (BP) Azimuth Stern Drive (ASD) harbour tug *KST Super* to repeat client, Keppel Smit Towage (Keppel Smit) in Singapore. Significant progress has also been made on *M/T Star Sirius*, a double hull fuel oil tanker for Batangas Bay Carriers, Inc. with delivery scheduled in the first quarter of 2009.

In the course of the year, Keppel Batangas worked on six offshore fabrication projects for Keppel FELS. Of these, four were delivered on time and with an excellent safety record, while the other two are progressing well. Shiprepair and conversion activities also increased 27% from 2007. A total of 89 vessels were dry-docked and repaired, of which, 49 were foreign flag carriers.

Keppel Shipyard is working towards further developing its resources and competencies in conversion work and topsides.



Our associate company Subic Shipyard made remarkable progress in 2008 with revenue soaring 75% due to major conversion and shiprepair projects. The yard repaired 62 foreign flag vessels and one local vessel as compared to 47 foreign flag vessels and two local vessels in 2007.

During the year, Subic Shipyard's revenue from conversion projects rose 81%. The yard also completed conversion work on FPSO vessels *Lewek* and *Kudam*, Aframax oil tanker *Iron Monger 3*, and the floating crane barge, *Princesse Abby*.

Committed to constantly improve its services to customers, Subic Shipyard has also rolled out its facility expansion and upgrading plans. These include the extension of its graving dock, the lengthening of quays and the construction of a bigger and more comprehensive training centre.

Keppel Cebu Shipyard saw a decline in local shiprepair activities in 2008. In shipbuilding, Keppel Cebu delivered a 45-tonne BP ASD harbour tug, *KST Safe*, to Keppel Smit and two 50-tonne BP ASD tugs, *Maju Mars* and *Maju Mercury*, the latter's sister company, Maju Maritime. The yard is currently constructing two other 45-tonne BP ASD harbour tugs for Keppel Smit.

Arab Heavy Industries

Packed throughout 2008, Arab Heavy Industries (AHI) repaired a record number of 318 ships, up 17% from 271 vessels in the previous year. It achieved a record performance in 2008, with 21 years of uninterrupted profitability.

In line with Keppel O&M's group-wide efforts to maintain a clean and green environment, copper slag blasting is being discontinued at AHI. Open blasting on the slipways and docks will also be replaced by Ultra High Pressure water blasting. A reverse osmosis desalination plant has been installed at the yard to treat seawater for this purpose.



Keppel Nantong is developing its facilities to raise its newbuilding capacity.

Specialised Shipbuilding

Keppel Singmarine

Keeping up its strong performance for another year, Keppel Singmarine had achieved revenue of S\$495 million in 2008, up 9% from 2007.

During the year, Keppel Singmarine delivered five vessels and two jackup hulls. These deliveries include Asia's first two icebreakers to LUKOIL-Kaliningradmorneft, and three 140-tonne bollard pull Anchor Handling Tug Supply (AHTS) vessels to GulfMark Offshore. The company was awarded with bonuses for timely deliveries, excellent safety records and sterling project management and execution, having satisfied its customers' stringent requirements.

In November 2008, the 28,000 dwt Ice-Class Floating Storage and Offloading (FSO) unit for LUKOIL-Nizhnevolzhskneft was transported from Keppel Singmarine to Caspian Shipyard in Baku for its second phase of construction. Designed by Keppel O&M's in-house ship design arm Marine Technology Development (MTD), the non-propelled FSO will be deployed in the Caspian Sea to

provide uninterrupted services for the receiving and offloading of crude oil from shuttle tankers.

At the end of 2008, Keppel Singmarine's orderbook stood at S\$1.1 billion. This



Keppel Singmarine and MTD built and delivered Asia's first two icebreakers to LUKOIL.

includes new contracts for two derrick pipe lay vessels from repeat customer, Global Offshore International, and a new client, Romanian drilling contractor, Grup Servicii Petroliere SA. Orders were also received from Seaways International for two Anchor Handling Tugs.

Keppel Nantong

Meanwhile, Keppel Nantong, which augments Keppel Singmarine's ability to take on more projects, achieved a revenue of 631 million yuan (S\$141 million) in 2008.

The yard delivered four 60-tonne AHTS vessels to HADI Establishment and two 45-tonne tugs to Keppel Smit Towage. It expects to deliver a total of seven vessels in 2009, including five AHTS vessels to Whiteseas, two tugs to Keppel Smit Towage and two drilling tender pontoons to Keppel FELS.

Keppel Nantong is carrying out plans to further develop and expand its facility to raise newbuilding capacity and enhance productivity.

Demand for Asian Lift's fleet of cranes is expected to remain resilient on the back of sound industry fundamentals and shipyards' strong orderbooks.



Operational Services

Asian Lift

In 2008 Asian Lift raised its revenue by 26% over the previous year.

With its fleet of five sheerleg heavy-lift cranes, including the flagship *Asian Hercules II* of 3200MT lift capacity, the bulk of Asian Lift's services continue to involve the lifting of FPSO and offshore platform modules.

Looking ahead, the demand for Asian Lift's fleet of cranes is expected to remain resilient on the back of sound industry fundamentals and shipyards' strong orderbooks. Most of the activities are expected to come from the Asia Pacific region.

Keppel Smit Towage / Maju Maritime

Keppel Smit Towage (KST) and Maju Maritime manage and operate tugs providing marine support services in the Asia Pacific region.

Revenue for 2008 rose by 29% over the previous year. During the year, KST expanded into the Pakistani and Thai markets.

As at end-2008, the company's fleet size was 25 vessels with an additional 16 vessels on order.

Keppel Smit Towage will continue to maintain a versatile fleet of vessels to meet the needs of its markets.

Regency Steel Japan

Regency Steel Japan (RSJ) sustained its revenue growth in 2008 in tandem with Keppel FELS's offshore newbuilding activities. It recorded revenue growth of 25% in the international market and 44% domestically over 2007. The bulk of the revenue is derived from the international market.

As at December 2008, RSJ successfully delivered eight rack and chord projects, and delivered five more partially.

To be responsive to market trends, RSJ will continue to seek ways to improve the utilisation of its facilities and production processes and upgrade its employees' skill sets. The company will also explore investing in new facilities to expand its production capabilities.

Keppel Norway

Sustaining its focus on equipment deliveries within the Automation and Drives segment, Keppel Norway delivered diesel electric propulsion systems for icebreakers and a new mud system for StatoilHydro in 2008. The company has a healthy backlog of orders stretching into 2010.

New orders secured in 2008 include a complete electro package for a semi constructed by Keppel FELS. Major projects in progress include drilling drives and mud mixing systems for three KELS N Class rigs, as well as a series of fabrication work.

The company will focus on improving its project execution capabilities and optimising business processes.

Industry Outlook

Market Review

2008 has been a challenging year for the offshore and marine industry. The oil price of US\$90 per barrel in January 2008 peaked at US\$147 in July 2008. Yet the bullish run ended barely a few months later, with oil prices plummeting to a four-year low

of around US\$35 per barrel in December 2008.

The boom in the oil industry was brought to an end by the US mortgage crisis, which eventually snowballed into a worldwide credit crunch by 4Q 2008. The dramatic slowdown of the US and other global economies has led to a drop in demand for energy. The Energy Information Administration (EIA) reported in January 2009 that it expects the year's global oil consumption to fall below that of 2008, while making a modest recovery in 2010.

By the end of 2008, the healthy influx of new orders and enquiries seen in the first nine months dried up. The decline in industry confidence adversely impacted capital availability for drilling contractors and companies with weaker balance sheets. The softening of day rates and difficulty of drilling operators to secure new contracts also suppressed rig orders. This resulted in

the rescheduling and cancellation of several newbuild projects worldwide.

Meanwhile, the marine industry witnessed a high level of demand for shiprepair in the first half of 2008, as a result of the oil and gas boom, increased shipping activities and continued fleet expansion. Most yards worldwide reported high dock occupancy levels and commanded good prices for their services. The floating production market also did well with continued emergence of new projects, spurred by high oil prices and new field discoveries.

The offshore support vessel (OSV) market continued to perform well in the first three quarters of 2008 due to the high oil price and active global offshore activities. Limited availability of vessels and high day rates have also led to an unprecedented orderbook with over 600 OSVs of various types globally.

A container vessel being towed out of Keppel Shipyard.





Deepwater currently accounts for about 15% of total offshore oil production and is expected to rise to over 20% in the next few years.

Towards year end, however, the global financial meltdown presented new challenges to the shiprepair and shipbuilding sectors. Uncertainties in market outlook led to a slight decline in FPSO orders and rapid deterioration in shipping charter rates.

Short-Term Outlook

A significant slowdown in new orders of offshore drilling and production rigs has already been felt in the first quarter of 2009 as a result of the credit crunch and the global downturn. If the current weakness continues, smaller independent oil companies and marginal field developments are more likely to be impacted, with expected cutbacks in exploration efforts and review of development plans.

Nevertheless, order backlogs are at historically high levels and should carry a number of equipment service companies and shipyards through the short term.

During this period, we will focus on strengthening project execution, and investing strategically in new capabilities that will allow us to deliver on our promises on time, within budget and without incidents.

Long-Term Prospects

Notwithstanding the current financial turmoil, the prospects for global offshore exploration and production (E&P) activities are fundamentally sound.

The International Energy Agency (IEA) forecasted global demand for primary energy to grow at an annual rate of 1.6% until 2030, with fossil fuels constituting most of this demand. This translates into an increase of oil demand from the current 85 million barrels of oil per day (bopd) to 106 million bopd in 2030, largely driven by emerging economies such as China, India and the Middle East.

Meanwhile, reserves in existing fields continue to decline. The average decline rate of oil fields worldwide will deepen from the current estimated 6.7% to 8.6% in 2030. Even if oil demand were to remain constant from now till 2030, depleting field production will require a replacement of 45 million bopd by the end of that period. This is equal to about five times the current annual production rate of Saudi Arabia.

New sources of oil need to be developed in the mid to long-term,

in order to meet demand. IEA estimated that a total of US\$26 trillion in investments is needed to meet the 2030 projected primary energy demand.

As a leading shipyard and offshore rig designer, Keppel O&M is poised to support national and international oil companies and drilling contractors who are planning to meet the mid and long-term energy requirements fuelling growth and development in emerging economies. Keppel O&M is able to provide viable and cost-effective solutions for more reliable operations.

Offshore Deepwater Prospects

Deepwater currently accounts for about 15% of total offshore oil production and is expected to rise to over 20% in the next few years. Douglas Westwood forecasted that beyond 2012, deepwater would be the only sector to continue growing.

The hotspots for deepwater exploration remain in the Golden Triangle zone comprising West Africa, Gulf of Mexico and Brazil, which will constitute up to 75% of global deepwater expenditure over the next few years. An extensive amount of investments will be required for these developments.

Africa is responsible for about 12% of global oil production and will continue to play a major role in contributing to the world's oil demand. Looking ahead, the industry expects much of Africa's oil to be from deep waters and the production of these offshore fields will be vital in maintaining non-OPEC oil supplies.

Major 2008 discoveries included Guara, Jupiter and Iara fields in Brazil. In January 2009, ExxonMobil also announced the discovery of promising oil deposits in Santos Basin's BM-S-22 block, which could yield 10 billion barrels of oil. In the Gulf of Mexico, deepwater oil finds include Gunflint and Kodiak, while the Caspian Sea itself has discoveries in the Tsentralnaya structure.

Excluding most Brazilian subsalt fields, Douglas Westwood forecasted in December 2008 that there would be a total of US\$152 billion in deepwater investments over the next five years.

While a number of oil and gas companies are cutting their spending budgets, super-majors such as BP, Chevron, ExxonMobil and Shell, and those funding developments from free cash flow have chosen to maintain their E&P budgets and proceed with their planned developments. National oil companies such as Petrobras and Pemex have similarly announced that they will maintain their E&P capital expenditure for 2009 and even for the next five years.

As the only global shipyard group with deepwater solutions design and engineering capabilities, Keppel O&M is in good stead to meet the needs of this enlarging market. Our DSS™ Series semis are well-accepted by the market as cost-effective and highly reliable solutions for the Golden Triangle region.

In addition, to provide a cheaper and more efficient alternative to Spars

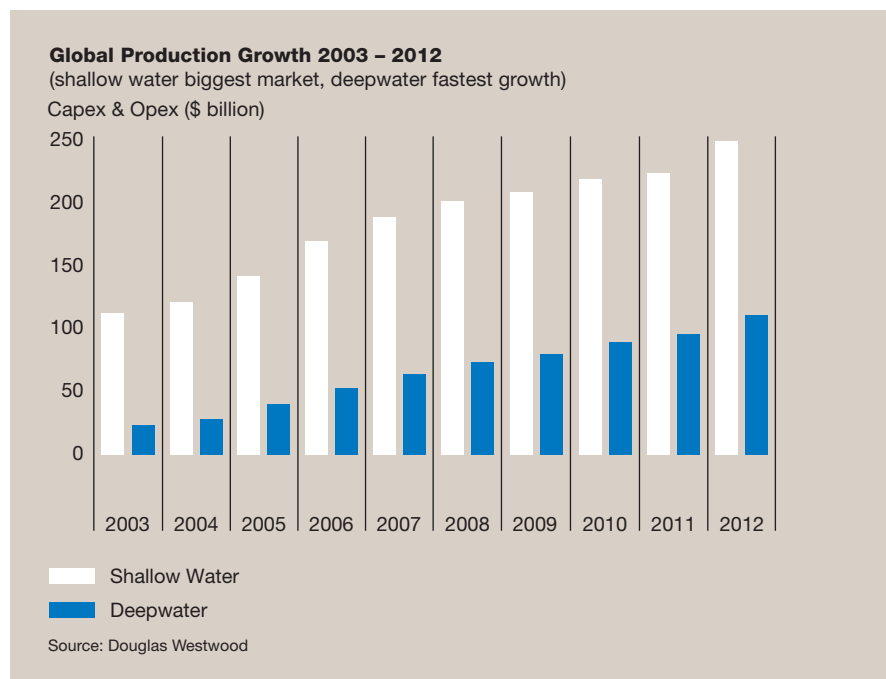
and Tension Leg Platforms for the ultra deepwater segment, we have developed and patented the Extendable Draft Semisubmersible (ESEMI). The ESEMI is a new drilling rig design capable of operating in water depths of 8,000 ft and beyond, and is well suited to operate in harsh environmental conditions, with minimal downtime.

At the same time, we are also honing our deepwater capabilities. We are working with FloaTEC LLC, our joint venture with J Ray McDermott, to develop a full range of Floating Production Systems to suit a wide range of applications, water depths and locations.

Drilling Rigs

Given that deepwater projects require substantial capital expenditure, E&P companies tend to have a long-term horizon on such projects and can adapt to a wider range of oil price movements.

Furthermore, cost of inputs such as steel and labour has dropped, as demand in other areas of the economy dampened. This has helped improve oil sector project economics. Hence,





2009 will be a year of opportunity for companies with strong balance sheets. Mr Jose Sergio Gabrielli, CEO of Petrobras, has announced that the company will even consider buying stakes in drilling companies contracted for their offshore drilling plans.

Aside from the Golden Triangle, emerging markets such as the Indian Ocean, Mexico and Northern Europe provide ample opportunity for deepwater E&P.

The jackup market will also see support from areas such as the Caspian Sea and the Middle East as the offshore industry starts to pick up in these regions. It is anticipated that close to 25 offshore field developments in both places have been either planned or will commence construction over the next two years.

With a strong presence in these markets, we have acquired a keen understanding of their different needs and the new projects coming onstream. As such, we are able to partner our customers early in pioneering projects to provide value-added solutions whilst fulfilling their aspirations for greater local content.

Production Units – FPSO/FSO Facilities

With increasing focus on the deepwater sector, Floating Production Systems (FPSs) such as FPSOs are expected to make up the bulk of offshore production units. At the end of 2008, FPSOs continued to dominate the FPS market with a near 60% market share. While the Golden Triangle continues to be the main destination for FPSOs, other geographical areas such as Northern Europe and Southeast Asia are also picking up.

According to the International Maritime Associates (IMA), there are currently more than 140 projects which

The jackup market will see support from areas such as the Caspian Sea and the Middle East as the offshore industry starts to pick up in these regions.

potentially require FPS solutions, with the biggest market possibly in Brazil. With a proven reserve of 11 billion barrels and potential growth of up to 100 billion barrels of new reserves, Brazil offers an attractive market for future projects.

The development of Brazil's Santos Basin subsalt oil deposits alone will require investments of US\$400 billion over a decade. Furthermore, West Africa and Gulf of Mexico would have close to 50 projects that require FPS solutions.

We are presently exploring opportunities to boost our competencies in FPSO conversion and topsides. With Keppel Shipyard's unrivalled track record and expertise in FPSO conversions, we are ready to meet the needs of this growing sector.

Specialised Ships

The specialised shipbuilding market, including offshore support vessels (OSV) and anchor handling tugs/supply vessels (AHTS), has evolved to play diversified roles with the offshore industry's demand for more advanced vessels to match deepwater and harsh environment exploration. The key roles of modern OSVs and AHTS vessels are to support drilling activities, transport key supplies and respond to emergency calls.

Harsher operating conditions in regions such as the Arctic and the North Sea require new vessels to be equipped with increased cargo capacity, larger accommodation areas, heavy lift cranes and advanced Dynamic Positioning systems for superior stationing. This segment of the market is expected to remain steady as it provides essential workhorse support for offshore drilling.

There will also be continued demand for other specialised workboats such as seismic vessels, pipe lay vessels and construction vessels in view of ageing fleets and more stringent requirements for newer and more capable vessels.



More specialised and technically advanced vessels will also be required to support complex field development with increasing focus on the deepwater sector.

With increasing focus on operations in harsh environments, more specialised and technically advanced vessels will be required to support complex field developments.

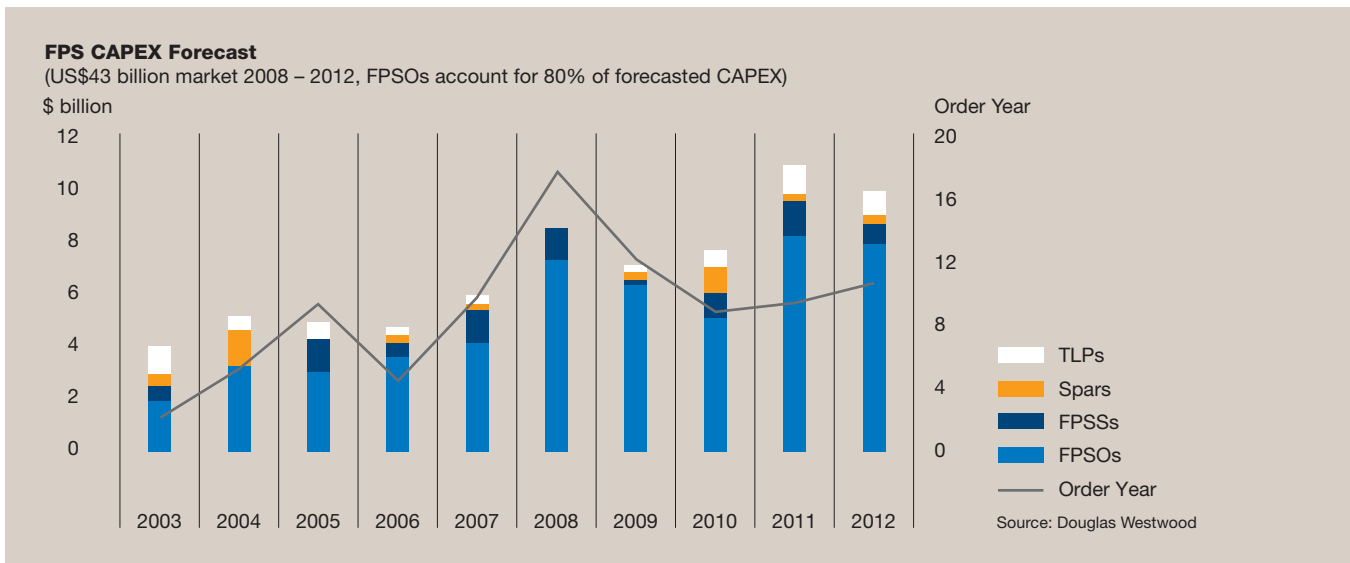
With a strong track record of some 400 specialised vessels, including Asia's first icebreakers for LUKOIL, Keppel Singmarine has the expertise and flexibility to customise solutions for any requirements. Its sister company in China, Keppel Nantong, augments its newbuilding capacity for specialised vessels that serve the offshore field development market, LNG terminals and maritime ports.

Meeting the Challenges

The credit crisis and downturn of the global economy have led to delays and cancellations of several oil field developments. Competition for any new projects will also intensify as many yards start to come under pressure.

In the interim, these market developments are likely to impact the ability of Keppel O&M to secure newbuilding contracts for drilling rigs and specialised vessels. Nevertheless, we are building on our technology leadership to provide value-added solutions at competitive prices to our customers.

Operations Review and Outlook



Despite a general slowdown in new orders, the repair, upgrade and maintenance needs of the existing global fleet of rigs and vessels are expected to thrive.

At Keppel O&M, we are harnessing our global network to support the market in repair and upgrading jobs for jackups and semis, and semi completion projects anywhere around the world.

We are making headway in emerging markets such as India, with our proprietary KFELS B Class jackup design. We have built strong partnerships with promising local drilling companies and operators such as Aban Offshore, Jindal Group and Mercator Offshore who have ordered nine KFELS B Class jackup rigs amounting to US\$1.5 billion over the last five years.

Our presence in the Middle East is bolstered by Arab Heavy Industries, an established shiprepairer in that region. With our new yard facility in Qatar jointly developed with Qatar Gas Transport Company coming online in 2010, we will be ready to support the active ship and Liquefied Natural Gas (LNG) repair market in the Middle East.

In closed markets such as the Caspian Sea region and Brazil, we are leveraging our access to valuable local insights and experience to work in tandem with our customers to identify and tailor early solutions for new projects.

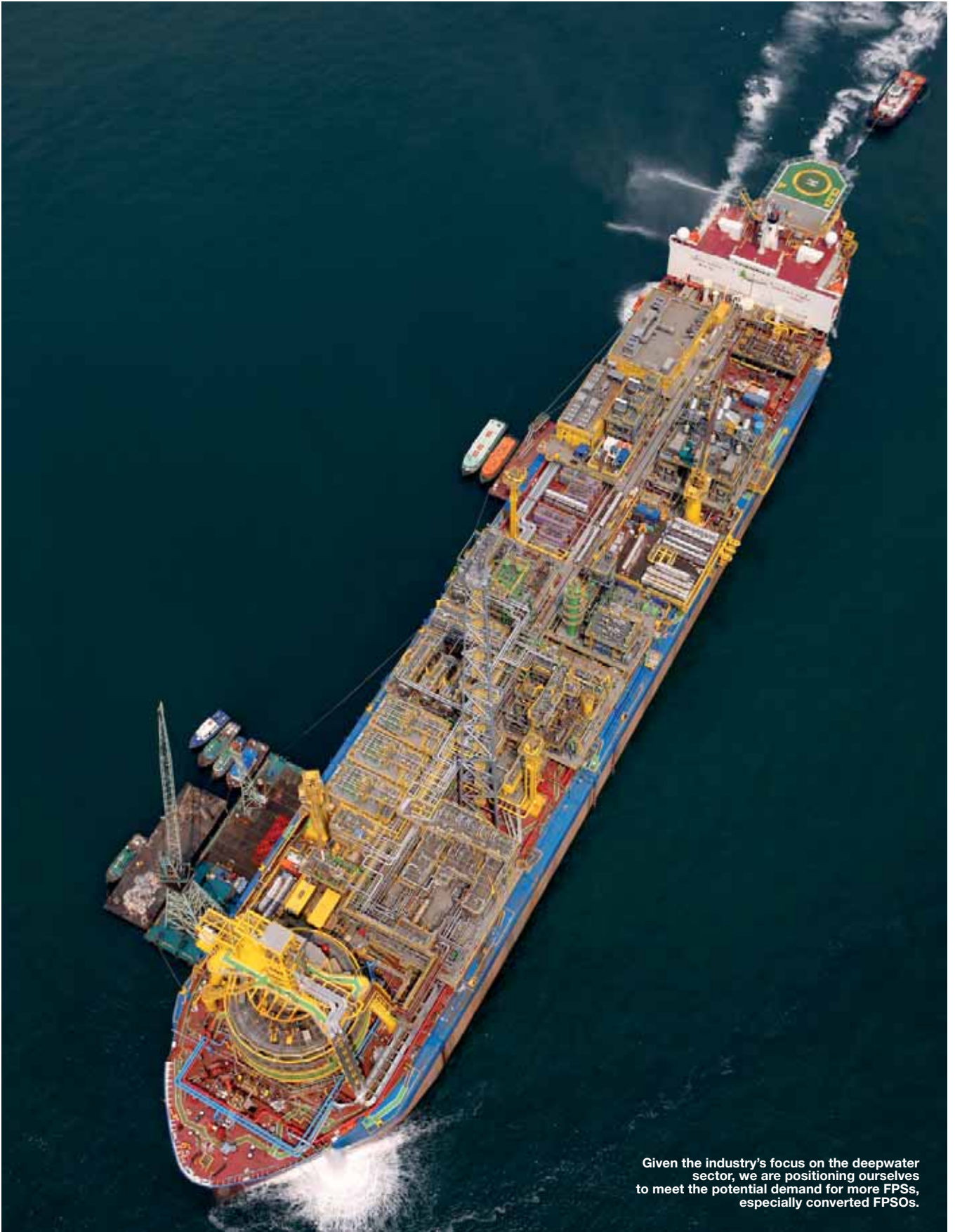
We are also positioning ourselves to meet the potential demand for more FPSs, especially converted FPSOs, given the industry's focus on the deepwater sector.

Furthermore, FloaTEC LLC is poised to meet the market's need for larger FPS projects such as TLPs, SPARs and semi production platforms.

With a strong orderbook of S\$10.8 billion as at end-2008, and projects leading into 2012, we expect to ride out the current volatile environment. In the meantime, we will continue to foster close partnerships with subcontractors and vendors to execute our projects well.

We are also seeking strategic investments to hone our competencies and further our strategy to be close to our customers and their markets.

Customers can continue to count on us to deliver on our promises on time, within budget and without incidents.



Given the industry's focus on the deepwater sector, we are positioning ourselves to meet the potential demand for more FPSOs, especially converted FPSOs.

Excellence in Quality and Business

We strive for operational excellence through constant improvement, to do our jobs better and faster each time.



Business Excellence

The Business Excellence Roadmap and Framework (BERF) was launched in 2001 in line with our vision to create a strong portfolio of world-class businesses at Keppel O&M.

The BERF champions and aligns the pursuit of business and performance

excellence in a structured manner across all our yards, and takes into account the national quality standards and cultural sensitivities of each country.

This framework embodies the Group's drive for business excellence and allows our businesses worldwide to be reviewed in a structured manner.

It spells our commitment to continually deliver quality products and services on time, within budget and without incidents to our customers.

Both Keppel FELS and Keppel Shipyard have attained the Singapore Quality Class (SQC) certification as a result of our efforts. In 2008, Keppel



Keppel Shipyard won the Shiprepair Yard Award at the Lloyd's List Asia Awards for the fourth consecutive year.

FELS and Keppel Shipyard were re-certified by SPRING Singapore, the national government agency for enterprise development.

Keppel FELS first achieved its SQC certification in 2002 and its I-Class in 2004. SQC certification is awarded to companies under the Singapore Quality Class framework for excellence in business approaches, deployment and results. I-Class is a certification for innovation excellence.

As the showpiece of Singapore's quality standards, Keppel FELS hosted 43 managers, supervisors and administrators from various Japanese enterprises during the year. The visit was organised by SPRING Singapore and the Japan Productivity Centre for Socio-Economic Development to allow the Japanese business community to interact with and learn from SQC companies on their best practices.

Quality

In February 2008, Keppel FELS obtained its second ISO 9001:2000 Quality Management System Re-certification endorsed by Det Norske Veritas, a world-leading service provider for risk certification and classification management.

During the year, Keppel FELS continued to streamline its operations to better meet the needs of its modular fabrication methods. Focus was placed on supply chain management, process management as well as local and overseas out-of-yard process control to help improve productivity levels and save costs. Efforts were made to facilitate the sharing of quality practices and lessons learnt within the company to strengthen its effectiveness and efficiency in process control.

Keppel FELS first achieved its ISO 9001 Quality Management

System Certificate in 1994 and was upgraded to the ISO 9001:2000 Quality Management System in 2002.

Keppel Shipyard also had its Quality Management System successfully renewed for another three years by Lloyd's Register Quality Assurance. In October 2008, Keppel Shipyard won The Shiprepair Yard Award at the Lloyd's List Asia Awards for the fourth consecutive year. This award is given to the shipyard that consistently meets its customers' requirements through cost-effective and high-quality services and with an intense commitment to safety.

Further to this, Keppel Shipyard was conferred the inaugural Shipyard Award by Seatrade Asia in May 2008.

On 8 August 2008, Keppel Shipyard launched its Quality Plus Programme to enhance the quality of its work. The programme focuses on welding

MAXA Awards

Keppel FELS was lauded with the MAXA 2008 Award, which recognises the highest global standards in manufacturing innovation, operational excellence and sustainability. It was the only offshore mega-structure company among the six finalists hailing from across the electronics, semiconductor and bio-medical sectors.

The MAXA Award, the first to be won by a Singaporean enterprise, was presented to Keppel FELS by Professor S. Jayakumar, Deputy Prime Minister and Co-ordinating Minister for National Security.

Into its third year, the annual MAXA Award is jointly conferred by the

Economic Development Board (EDB), McKinsey & Company and the Singapore-MIT Alliance (SMA).

“Keppel FELS entered the MAXA Awards with the aim of learning and improving its operations. We have benefited from the independent and in-depth review of our strengths and capabilities by the international experts on the MAXA assessment team.

“Winning the top award is a bonus to Keppel FELS. It affirms our passion and commitment to deliver innovative projects on time, within budget and without incidents,” said Mr Tong Chong Heong, CEO of Keppel O&M.

“Keppel FELS’s significant innovations in manufacturing operations and engineering design are impressive. These, coupled with their increasing technical depth and expertise plus a highly motivated workforce, have enabled them to be a global leader to be reckoned with.”

Professor Yue Chee Yoon,
Singapore-MIT Alliance,
Programme Chair in Manufacturing
Systems and Technology, and
MAXA Assessor

“What Keppel FELS has achieved is impressive across several dimensions. They have taken a manufacturing shop-floor mindset to a project-based industry, for products that are very significant both in size and complexity.”

Mr Chinta Bhagat,
Managing Partner (Singapore)
McKinsey & Company and
MAXA Assessor



and fabrication processes, and provides lessons on quality welding for employees. These initiatives have helped to reduce wastage and increase the passing rate of non-destructive testing.

Keppel Shipyard's Quality Plus Programme encourages all employees to consistently meet customers' expectations and achieve work excellence.

Innovation

We drive continuous improvement and innovation through initiatives such as the i-4-WSH (formerly known as Safety Innovation Teams), Innovation and Quality Circles (iQC), Quality Action Teams (QAT) and the eSHIP Programme (environmental, Safety, Health & innovation & Process improvement).

In June 2008, Keppel Shipyard held its 4th Inter-yard Safety Innovation Team (SIT) Convention. The winning teams were then selected to present

their innovations at the SIT Convention organised by the Association of Singapore Marine Industries (ASMI).

Keppel Shipyard's Universal LOTTO project, clinched a bronze award at the 11th Convention for Workplace Safety & Health Innovation in the Marine Industry organised by ASMI in July 2008, and went on to win top honours at Keppel Corporation's Safety Convention in September 2008.

Meanwhile, the company's iQC programme continued to yield results in terms of improved productivity and efficiency with sustained quality. Forty-one iQC teams from Keppel FELS participated at the annual Innovation Month with creative entries that can generate savings of up to \$3.33 million per annum.

At the annual National iQC Convention 2008, Keppel FELS bagged three Star awards of the highest national-level accolade, and seven Gold medals.

Since 2004, Keppel FELS had garnered a total of seven Star, 29 Gold and 16 Silver awards.

As the industry's leading company in iQC, Keppel FELS also does its part to facilitate the sharing of knowledge and insights with industry peers.

In June 2008, it hosted delegates from Indonesia, Thailand and Singapore from the International Exposition on Team Excellence (IETEX) 2008.

The annual IETEX organised by the Singapore Productivity Association provides a platform for networking, knowledge sharing and exchanging of ideas between iQC experts and practitioners from around the world.

Keppel Shipyard likewise, places great emphasis on the iQC. A group of trained iQC assessors are deployed to evaluate the in-house iQC conventions each year. Employees are also sent for courses on iQC report writing, basic iQC tools, and presentations to build up their confidence when presenting at the in-house and national events.

Keppel Shipyard's iQC innovations have generated more than \$1.2 million in savings for the company in 2008. The company has also been successful in meeting its quality improvement objectives with the formation of Quality Action Teams (QAT). These teams look into enhancing processes which are cross-functional in nature.



Forty-one iQC teams from Keppel FELS participated in the annual Innovation Month with creative entries that can generate savings of up to \$3.33 million per annum.

Risk Management and Business Continuity

Our comprehensive enterprise risk management framework, which incorporates a robust business continuity management system, provides a holistic and systematic process for managing risks.



Our Enterprise Risk Management (ERM) framework provides a holistic, systematic process for identifying, evaluating and managing significant risks. The Board of Directors, assisted by the Keppel Offshore & Marine (Keppel O&M) Audit Committee, has oversight of risk management

in the Group. Progress reports on ERM activities and initiatives are closely monitored by the Keppel O&M Audit Committee.

Significant risks associated with various value drivers to achieve the Group's corporate strategies are identified and

cascaded down from top management to the individual business units and departments. These risks are reviewed regularly and mitigating actions are closely monitored by management.

At the operational level, the risk management process is incorporated

in day-to-day business operations, via established risk-related policies, operating procedures and business practices. The prudent risk management practices, which include effective management of foreign exchange risk, credit risk and liquidity risk, lay the foundation for Group companies in managing their finances. The Group's system of internal controls is designed to manage the risks faced by the Group in achieving our strategic goals.

A large proportion of the Group's operations is project-based, and extends over a period of time. We manage key risks of each significant project at tender and execution stages through a standardised and systematic risk management approach.

The risk assessment process is applied during tender evaluation. At tender stage, a risk template is used by the project team to assess various risks associated with project management, contract management, execution, competition, people and safety.

At the execution stage, key risk factors are being monitored to ensure projects are executed on time, within budget and without incidents, and are meeting quality standards and customers' specifications.

The Group's main challenge is in ensuring on-time and within-budget delivery while meeting quality standards. The major risks associated with this are largely execution risks with stretched resources. The Group monitors schedule, cost, safety and quality risks of all major work in progress.

The Keppel O&M Group Safety Committee, with the support of the Board Safety Committee of Keppel Corporation, exercises oversight on the promotion of safety awareness and the enforcement of safety.

The global financial meltdown and economic turmoil have exposed the Group to a host of risks and challenges

including tightened credit, potential counter-party and customer defaults, order cancellations and deferment of projects. Strong management commitment in driving Group-wide risk management systems and processes over the years has enabled the Group to be better equipped in facing the difficult business environment.

During the year, risk management forums and workshops were conducted for management personnel in order to heighten awareness and appreciation of the potential impact of the worsening financial turmoil on Group companies. Management met regularly to monitor closely the changes impacting our businesses. Concerted efforts and mitigating measures were taken to ensure all our companies manage these challenges in a timely and effective manner.

One way to strengthen ERM is to promote an effective integrated risk management system across the Group. The Group has intensified efforts in building a risk-centric culture, closely aligning it with both short and long-term corporate goals.

During the year, a risk culture survey was conducted for management personnel to identify gaps for continuous improvement. Risk management conferences and forums were held to strengthen the risk culture of the Group and heighten risk awareness among employees. Sharing of best practices and in-depth project post-mortem analyses also provided further learning avenues.

Risk management has been incorporated in the Group's orientation programme to ensure all new employees are familiar with our risk management philosophy and practices. It is also one of the indicators in the annual performance appraisal of management staff to enhance risk ownership and accountability.

Business Continuity Management

To manage potential threats or disruptions to our operations arising from unforeseen factors such as SARS, bird flu and terrorism, a Business Continuity Management (BCM) framework has been incorporated as part of ERM.

A BCM Committee looks into critical threats that could severely disrupt the yards' operations, and has developed action plans to mitigate these threats. Some of the critical threats identified are epidemics, terrorism, natural disasters, damage to critical physical assets such as buildings, drydocks and cranes, disruptions to critical supply chains and IT infrastructure failure.

Championed by department heads, mitigating action plans addressing these critical threats have been developed to ensure business continuity. In addition, emergency plans have been drawn up to handle possible epidemic outbreaks.

During the year, simulation temperature testing for avian flu was conducted at several yards. A disaster recovery plan for IT infrastructure was also implemented. Various evacuation drills (from ships, rigs and drydocks) and fire safety drills were conducted regularly to enhance the effectiveness of the emergency plans.

To counter the threats of terrorism, our shipyards have implemented security procedures which comply with the International Ship and Port Security Code (ISPS) adopted by Maritime and Port Authority of Singapore (MPA). The detailed response plan covers various scenarios such as fire and sea intrusion by terrorists which may affect the yards' security. Bomb hoax and intrusion response exercises have been conducted. In 2008, a simulation exercise on explosions was held to assess the effectiveness of the yards' security arrangements.

Corporate Social Responsibility

Our business units and employees contribute to the good of community and the environment wherever they are. Together, we drive a difference for our stakeholders across the globe.



In 2008, we continued to enrich the lives of communities worldwide and supported activities that promote a cross-fertilisation of ideas and expertise. We also involved our employees widely as well as supported causes for the less fortunate, education, the arts and the environment.

In these activities, we have involved our employees widely, imbuing in them a global mindset and a genuine concern for the well-being of others.

Singapore Engaging the Industry

To help promote Singapore as an International Maritime Centre, we play an active role in encouraging interaction and the exchange of ideas and intelligence between industry members. We made concerted efforts in 2008 to showcase Singapore's expertise and offerings to the world through an active presence at international and regional conventions.

Seeding Knowledge Building

We continued to endorse the Keppel Professorship at the Centre for Offshore, Research and Engineering (CORE) in the National University of Singapore (NUS) which was launched over six years ago. The Keppel Professorship seeks to build up a reservoir of expertise in the industry through research and the sharing of knowledge and experiences as well as to promote interest in the study of offshore and marine technology.

In 2008, Professor Andrew Palmer was re-appointed as the Keppel Chair Professor for a second term. He presented the 6th Keppel O&M Lecture on carbon dioxide capture and storage, which attracted a full house comprising 200 over professionals and students.

In the same vein, we supported the annual Chua Chor Teck Memorial Lecture which is held every year since 1986, to discuss and provide



Keppel O&M showcased the best of Singapore's expertise at OTC 2008.

insights into prevailing industry issues. Organised by the Society of Naval Architects & Marine Engineers Singapore, the memorial lectures feature prominent guest speakers from all over the industry. Mr Nick Sansom, Senior Vice President and Head of Marine in Asia of Marsh (S) Pte Ltd, delivered the 23rd annual lecture on the marine insurance industry's development over the last 30 years.

Fronting International Platforms

We took up an active presence in the Singapore Pavilion at the Offshore Technology Conference (OTC) in Houston to showcase the best of local expertise globally. OTC is the world's foremost event for the development of offshore resources in the areas of drilling, exploration, production and environmental protection. OTC 2008 drew some 75,000 people, including energy professionals from 110 countries.

We sponsored the Marine Operations Speciality Symposium, which addresses topics related to shallow and deepwater operations and facility installation activities worldwide. We were also present at and fielded

speakers for the Jackup Asia Conference & Exhibition 2008, which convened international professionals, academia and industry experts in Singapore. For the 17th year running, we participated in OSEA, the bi-annual International Oil and Gas Industry Exhibition & Conference. The event drew more than 16,000 industry professionals to address the strategic, operational and technology aspects of the Asian oil and gas industry.

Pitching in to strengthen ties between Singapore and Latin America, we continued our support of the Latin Asia Business Forum 2008, as its gold sponsor. For the past three years, we have been its official reception host, providing an important networking platform for the business and ministerial delegates.

In the same vein, Keppel O&M was one of six sponsors to translate and produce the Portuguese version of Minister Mentor Lee Kuan Yew's two-part memoir *A Historia de Cingapura (The Singapore Story)* and *Do Terceiro ao Primeiro Mundo (From Third World to First)*. These volumes were officially

launched by the Ministry of Foreign Affairs in Brazil in November 2008.

Enriching Communities Supporting Charities

In the aftermath of the Sichuan earthquake in China and Cyclone Nargis in Myanmar, we matched our employees' donations dollar for dollar and raised over \$165,000 in aid of the victims. In addition, Keppel Nantong raised funds among staff and subcontractors to support the Nantong Red Cross Society's relief efforts. Internally, we extended further support to our Myanmar employees whose immediate family or properties have been affected by Cyclone Nargis.

We pledged a sum of \$50,000 towards the Community Chest's 25th Anniversary Heartstrings Walk 2008. Forty one employees and their families also took part in the 2.5-km fun walk at the Esplanade Park in support of the event.

In 2008, more than 80% of our Singapore employees contributed to Community Chest through a monthly

payroll deduction. In bringing to life a culture of sharing with the less fortunate, Keppel O&M was honoured with the Community Chest's Corporate Award (Platinum); Keppel FELS and Keppel Singmarine, the SHARE Platinum Award respectively, and Keppel Shipyard, the SHARE Gold Award.

We continued to raise funds for several other charitable organisations such as the National Arthritis Foundation, Handicaps Welfare Association and Metta Welfare Association. During the Lunar New Year period, Keppel O&M provided festive cheer to the students of Grace Orchard School, Singapore Autism School and Metta School with gifts of digital watches and food vouchers.

Throughout the year, we also provided opportunities for children of Metta Welfare Association and Keppel Group's adopted charity, the Association of Persons with Special Needs (APSN), to showcase their talents and stage artistic performances at our vessel-naming ceremonies.



Through monthly activities, Keppel Volunteers help to make a difference in the lives of APSN students.



To help spread the Christmas cheer, Keppel O&M volunteers collected and presented more than 200 gifts to the children at Kangar Kerbau hospital.

Not forgetting our less fortunate animal friends, Keppel O&M sponsored 700 tee-shirts for a charity fun run organised by the Society of the Prevention of Cruelty towards Animals in June 2008.

Corporate Volunteerism

Volunteerism is an important means through which we encourage our employees to become responsible citizens with a passion for the well-being of others.

These activities are spearheaded by Keppel Group's Keppel Volunteers (KV) programme with the active involvement of the Keppelite Recreation Club.

During the year, Keppel Volunteers sponsored the construction of five green houses to seed the growth of Keppel Group's hydroponics farm project for the Centre for Adults (CFA). The CFA is a learning institution under APSN.

These green houses are cared for by APSN students, working alongside Keppel Volunteers who have been

trained in the basics of hydroponics farming. The latest extension will help to secure more employment opportunities for APSN students.

Keppel Volunteers also brought students from Tanglin School and the CFA on a field trip to the Asia Dive Expo in April 2008 to learn about the challenges of preserving marine wildlife. The students learnt about the damaging effects of irresponsible behaviour on the long-term survival of marine life.

Our employees also joined in regular activities with APSN students including a hike to Bukit Timah Hill and visits to the zoo and the Botanic Gardens. Through these monthly activities, Keppelites helped to make a difference in the lives of APSN students.

A workshop was held in March 2008 to raise awareness of Keppel Volunteers' activities and solicit greater participation from Keppelites across the Group.

Promoting Healthy Living

To encourage work life balance, Keppel O&M sponsored Singapore's inaugural Quadathlon organised by SAFRA in October 2008. The event attracted over 250 foreign and local

Keppel O&M sponsors the inaugural Quadathlon to encourage work-life balance.

participants. Held at Changi beach park, the Keppel O&M Quadathlon covered 38.5 km, where participants had to swim in the open sea for 500 metres, in-line skate for 12 km, cycle for 20 km and run for 6 km.

In the fight against HIV, Keppel Shipyard sponsored Singapore's World Aids Day concert, LOVE Amplified, organised by the Health Promotion Board (HPB). The first of its magnitude to be held in Singapore, LOVE Amplified brought together local celebrities such as Stefanie Sun, Hardy Mirza and the Dim Sum Dollies to raise HIV and AIDS awareness in Singapore. Bringing the message closer to home, Keppel Shipyard also took part in HPB's interactive Bridges of Hope workshop to promote HIV/AIDS education and prevention in the workplace.

Advancing Education

During the year, we contributed \$15,000 towards the Nanyang Technological University Alumni Club Student Bursary.

Corporate Social Responsibility

We also sponsored ITE to take part in WorldSkills Singapore 2008. This biennial nation-wide skills competition serves to raise the standard of excellence in technical skills through competition and highly-skilled youths are selected to represent Singapore.

Endorsing the Arts

Keppel O&M helped to bring various artistes and art forms to stage during the year, adding to the vibrancy of Singapore's cultural scene. These

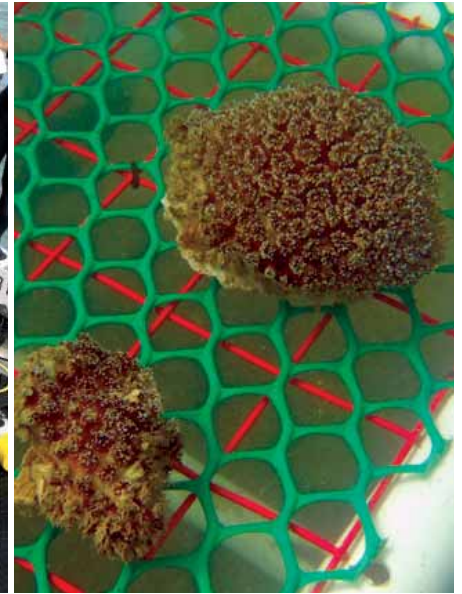
include sponsorships of local groups with the likes of the Singapore Chinese Orchestra and regional performances such as the Festival Tari Serumpun III dance event.

We also presented *A Jazzy Christmas*, a concert by Jeremy Monteiro, Singapore's King of Swing and Cultural Medallion holder featuring a stellar cast of acclaimed international musical talents.

1 Adding to the vibrancy of the arts scene in Singapore, Keppel O&M presented *A Jazzy Christmas*, a concert by Jeremy Monteiro, Singapore's King of Swing and Cultural Medallion holder.

2 For the third year running, we presented the International Capoeira Festival organised by the Association of Capoeira Argola de Ouro.





Keppelites work hard to maintain and clean the corals in Pulau Semakau.

To foster stronger cultural exchange with Latin America, we presented the 50th Anniversary of Bossa Nova at the Esplanade Theatres. The performance featured the Brazilian Musical Ensemble and bossa nova pioneers such as Roberto Menescal, Wanda Sa, Joao Donato, Marcos Valle and Vinicius Cantuaria on one stage.

And for the third year running, Keppel O&M presented the International Capoeira Festival organised by the Association of Capoeira Argola de Ouro. An Afro-Brasileira martial art form, capoeira is Brazil's second most-loved sport after soccer. The annual festival showcases performances by international capoeira masters, as well as holds introductory classes for those interested to know more about this enigmatic martial art form.

Protecting the Environment

Keppel O&M launched its Green Vision in 2008 to urge employees to be vigilant and responsible in the use of natural resources.

In a bid to preserve Singapore's marine biodiversity and underwater

habitats, we continued to support Keppel Group's Coral Nursery Project off Pulau Semakau. Done in collaboration with the National University of Singapore, National Parks Board and National Environmental Agency, this two-year project aims to increase the survival odds of new corals by cultivating as many hard coral fragments as possible in a nursery environment. During the year, 32 Keppelites, of whom 21 are from Keppel O&M, deployed nursery tables used to grow the corals. These volunteers continue to oversee the regular maintenance and cleaning work.

For the sixth year, Keppel Shipyard continued its support of Chung Cheng High School's efforts to promote "green" education for their students.

Keppel Shipyard introduced the students to green initiatives at the yard and participated in the National Environment Agency's Annual Clean & Green Week Schools Carnival. Keppel Shipyard received a certificate of Sustained Partnership for its efforts in cultivating a green consciousness in the youths.



OVERSEAS

The Philippines

During the year, our Philippine yards were actively involved with their local communities, and contributed widely to environmental protection and the less fortunate.

Keppel Batangas Shipyard and its employees continued to take part in the annual International Coastal Cleanup Day, joining hands with representatives from the local government and non-government agencies. For four hours starting at 6 am, Keppelites from the Philippine shipyard along with the Municipal Mayor of Bauan, Batangas gathered along Batangas Bay to clean up the litter and other debris that had been washed ashore.

At the end of the cleanup, the volunteers collected more than 65 kg of garbage, including non-biodegradable plastic and rusty cans that pose danger to public health as well as to marine life.

Keppel Batangas also donated money to various organisations and socio-civic projects such as at the 'Lugaw for a Cause' fundraising campaign of the

Child Justice League, an organisation of lawyers providing free legal services to exploited and marginalised children.

Subic Shipyard also provided financial assistance to various charities, schools and socio-civic groups. Medical equipment such as wheelchairs and clutches were donated to the city's Provincial Board and to the medical and dental mission of the Best of Youth Society. School supplies were also donated to needy school children in four Subic public elementary schools. Meanwhile, financial assistance was granted to employee dependents for their educational expenses.

As for Keppel Cebu Shipyard, it supported the city government of Lapu-Lapu during its Charter Day celebrations and other civic programmes in the city. Its yard engineers have extended their mechanical skills in the repair of the fire truck of the Lapu-Lapu City Fire Station.

Keppel Cebu also made donations to the Kapwa Ko Mahal Ko Foundation and to families affected by Typhoon Frank and a fire in Barangay Looc.

Officers and staff also joined in the annual Alay Lakad (Walk for a Cause) fundraising drive for the underprivileged youth in Cebu.

Brazil

Our employees from Keppel FELS Brasil and FSTP Brasil continued to organise quarterly football matches for youths in Rio de Janeiro, in support of the Centro Social Montreal Esportivo do Rio project.

This project provides sports and social support to children living in impoverished and vulnerable communities in the Juliano Moreira Colony. It has successfully kept more than 300 children and adolescents off the streets, and continues to provide youths with an alternative outlet for self-expression and to develop their football skills, a prized talent in the country.

The team succeeded in bringing on board colleagues from Keppel FELS and Technip and their business partners, El Paso, Chevron, Datamar and Smith International, to join them in their noble cause.

By organising the soccer matches and fundraising, they have been able to help raise awareness and money to help slums under the Centro Social Montreal Esportivo do Rio project.

USA

Keppel AmFELS's strong emphasis on social responsibility is brought to bear through its consistent support of educational, welfare and community organisations.

The company raised US\$80,000 through its annual charity golf tournament in 2008, two-thirds of

which have been channelled to support the activities of the Keppel AmFELS Scholarship Fund and the University of Texas Brownsville Arts Center.

Keppel AmFELS also participated in the annual Charro Days festival in 2008 to help spread the message of international friendship between the border cities of Brownsville and Matamoros. The company sponsored a Charro Days Float for the parade with 18 employees on board.

Others

In Europe, Keppel Verolme contributed to sports clubs and sponsored sportswear for its employees to participate in several marathons in the community, including the Rotterdam Marathon in April 2008. It also supported education by offering scholarships to university students.

In Kazakhstan similarly, we sponsored several sports activities as well as events related to combating crime and enhancing law enforcement.



- 1 Keppelites gather along Batangas Bay to clean up the litter and debris.
- 2 Keppel Verolme supports sports activities such as the Rotterdam Marathon.
- 3 Keppel AmFELS participates in the annual Charro Days festival to promote cross-border friendship between USA and Mexico.



The Apprenticeship Scheme

With beginnings in the 1970s, the Keppel Apprenticeship Scheme has evolved through the years in response to changing needs of the Group. Today, the Apprenticeship Scheme is a structured training programme that equips trainees with skills such as welding, piping fabrication, steel fabrication, marine technology and marine electrical technology.

As the Apprenticeship training is targeted primarily at creating a skilled workforce for the yards, most trainees would join Keppel yards upon graduation. The Scheme is a highly valued programme as the trainees are equipped with skills that enhance their employability.

In addition to the Apprenticeship Scheme, our shipyards offer scholarships and internships for undergraduates and graduates. These are the seedbeds for the respective countries' offshore and marine professionals, engineers and skilled workers.



USA
In 2008, Keppel AmFELS's Apprenticeship Scheme produced 204 welders and provided skills training to 181 fitter and pipe fitter helpers. The Company is collaborating with several technical schools and high schools in its vicinity to provide welder training programmes for students.



Brazil
Keppel FELS Brasil introduced the Young Apprenticeship Project, which is the first of its kind in the South Fluminense region. The Scheme is tailored to young adults between 18 and 22 years. This programme is organised in partnership with the Servico Social da Industria.

The Netherlands
In 2008, five apprentices graduated from Keppel Verolme's apprenticeship scheme and were employed by the yard. Another 19 apprentices were accepted into the programme later in the year.

The course is supported by the European Social Foundation (ESF). Successful trainees receive a qualified Steelworker, Welder, Pipefitter or Mechanical Fitter certificate.

Kazakhstan
Through its Apprenticeship Scheme, Keppel Kazakhstan has been contributing to the skills development and employability of the people in Aktau, a seaport by the Caspian Sea.

The Philippines
Our three yards in the Philippines offer apprenticeship programmes that are accredited by the Technical Education and Skilled Development Authority of the Philippines.

Keppel Batangas's in-house Training Centre continued its scaffolding, ship fitters and welding programme. Three hundred and thirty six welders and 80 scaffolders completed the course with 107 trainees accepted as apprentices in the shipyard.

Keppel Cebu and Subic Shipyard continued to provide training for various trade skills for youths living in the community.



The Netherlands
Kazakhstan
Azerbaijan

United Arab Emirates
Singapore
The Philippines

Azerbaijan
Under its Apprenticeship Scheme, Caspian Shipyard Company continues to provide in-house training to help its workers take on more sophisticated work.

United Arab Emirates
Arab Heavy Industries conducts its own in-house trainee scheme for new recruits in the trade. Trainees undergo a two-year on-the-job training programme on areas such as welding, mechanical outfitting, blasting and painting and fabrication. In 2008, 55 apprentices completed the scheme while 45 newcomers were accepted into the programme.

Singapore
The Apprenticeship Scheme is administered by the Keppel O&M Group Training Centre, an approved training centre of the Institute of Technical Education.

The Centre offers the Modular Skill Training (MOST) programmes to workers, supervisors and foremen with outstanding performance. Thirty six trainees completed the programme in July 2008.



Facilities Worldwide

	Type	Dock capacity Capacity (dead weight tonnes)	Berthage			Outfit quay			
			Size (metres)	Length (metres)	Draft (metres)	Building berth (capacity)	Length (metres)	Depth (metres)	
Singapore									
Keppel FELS Pioneer Yard									
Admiral Dock	Drydock	400,000	380 x 80	380	6.6				
	Berthspace						840	6 – 10	
Pioneer Yard II									
Shipyards Road	Berthspace						720	6 – 6.5	
Crescent Yard	Berthspace						500	4.5	
	Berthspace						740	6	
Keppel Shipyards (Tuas)									
Tuas Dock	Drydock	360,000	350 x 66	2,437	6.6				
Raffles Dock	Drydock	330,000	355 x 60		6.6				
Temasek Dock	Drydock	150,000	301 x 52		7.4				
Temasek Pier East	Berthspace				280	7.2			
Finger Pier West	Berthspace			350	9				
Finger Pier East	Berthspace			370	8.5				
Raffles Pier West	Berthspace			430	8.5				
Raffles Pier East	Berthspace			218	6.1				
West Quay	Berthspace			380	7.1				
South Quay	Berthspace			177	8				
Raffles Dock Entrance	Berthspace			220	6.6				
Keppel Shipyards (Benoi)									
Drydock No. 1	Drydock	300,000	350 x 60	1,163					
Drydock No. 2	Drydock	170,000	300 x 60						
Landing Quay					100	5			
Quay No. 1					217	7			
Quay No. 2				352	10				
Quay No. 3				270	8				
Quay No. 4				224	7				
Keppel Shipyards (Gul)									
FD No. 1	Floating Dock	14,000 lifting	190 x 32	531	6.5				
FD No. 2	Floating Dock	5,000 lifting	120 x 27						
FD No. 4	Floating Dock	7,500 lifting	158 x 23						
North Quay 1	Berthspace			178	5				
North Quay 2	Berthspace			193	6.5				
North Quay 3	Berthspace			160	6.5				
Keppel Singmarine									
Drydock	Drydock	7,000	106 x 18.5						
Building Berth in Benoi 15	Slipway					225 x 70			
Building Berth in Benoi 5	Slipway					100 x 24			
Dock Entrance in Benoi 5	Berthspace			40	5.5				
Wharf in Benoi 5	Berthspace			80	5.5				
Azerbaijan									
Caspian Shipyards Company									
Yusif Ibrahimov (Hull 901)	Floating Dock	15,000	128 x 74		6.5				
Floating Dock (Hull 953)	Floating Dock	5,000	124.8 x 23.3		6.5				
Floating Dock (Hull 806)	Floating Dock	4,500	124.8 x 21		6.5				
Jetty 3							400	6.5	
Jetty 4							100	6.5	
Brazil									
Keppel FELS Brasil (BrasFELS Yard)									
Drydock	Graving Dock		125 x 70						
Slipway No. 1	Slipway	35,000	174 x 30						
Slipway No. 2	Slipway	150,000	310 x 45						
Slipway No. 3	Slipway		185 x 70						
Finger Pier East	Outfit Quay			350	12				
Finger Pier West	Outfit Quay			350	11.5				
Outfit Pier East	Outfit Quay			300	6 – 7				
Outfit Pier West	Berthspace			120	7 – 8				
Slipway 2 Pier	Berthspace			80	8 – 9				
Slipway 3 Pier 1	Outfit Quay			80	9 – 10				
Slipway 3 Pier 2	Outfit Quay			80	9 – 10				

	Type	Dock capacity Capacity (dead weight tonnes)	Berthage			Outfit quay		
			Size (metres)	Length (metres)	Draft (metres)	Building berth (capacity)	Length (metres)	Depth (metres)
China Keppel Nantong Shipyard				400		3,000 T	70	6
Kazakhstan Keppel Kazakhstan LLP North Yard	Launching Way Load-out Quay Berth space		220 x 100				243 488	4.5 4.5
The Philippines Subic Shipyard and Engineering Pacific Dock C Quay E1 Quay E2 Quay	Graving Dock	340,000	350 x 65		303 255 205			9 9 9
Keppel Batangas Shipyard President Dock FD No. 1 Ship Lift System Pier No. K1 Pier No. K2 Alongside FD No. 1 Pier Block No. 1 Pier Block No. 2 Pier Block No. 3 Pier Block No. 4	Graving Dock Floating Dock Lift Platform Dry Berth: 8 off	50,000 *2,400 20,000 Dry Berth: 8 off	200 x 38 100 x 19 172 x 28					
				100 x 2 100 x 2 100 183 160 82 135				9 9 8 9 9 8 9
Keppel Cebu Shipyard Drydock Slipway No. 1 Slipway No. 2 Slipway No. 3 Slipway No. 6 Launching Way Docking Quay 1	Graving Dock Slipway Slipway Slipway Slipway Launching Way	35,000 *2,000 *1,000 *600 *4,000 *1,000	210 x 30 79 x 7.9 73 x 7.9 43 x 3.09 105 x 10.4 100 x 8.0					
				152				7
The Netherlands Keppel Verolme Dock No. 5 Dock No. 6 Dock No. 7	Graving Dock Graving Dock Graving Dock	65,000 130,000 500,000	230 x 35.5 275 x 41 405 x 90	1,600			400	9 – 12
					9 – 12 9.8 10.6 12.2			
Qatar Nakilat-Keppel O&M (Operational in 2010) Dry Dock No. 1 Dry Dock No. 2	Drydock Drydock	350,000 450,000	360 x 66 400 x 80	2,550	11.0 (minimum)			
					12.0 13.8			
United Arab Emirates Arab Heavy Industries Al Zora Drydock Slipway No. 1 Slipway No. 2 Slipway No. 3 Slipway No. 4 Al Zora Wharf East Wharf West Wharf	Graving Dock Slipway Slipway Slipway Slipway Wharf Wharf Wharf	30,000 *1,500 *1,500 *2,500 *3,000	175 x 32 120 x 16 120 x 16 120 x 16 120 x 16					
					7 5 5			7
				250 200 83				5 5
USA Keppel AmFELS Floating Drydock (Rig mode) Floating Drydock (Ship mode) Launching Way West Dock Quay East Dock Quay	Floating Drydock Floating Drydock Launching Way West Dock Quay East Dock Quay	34,500 34,500	94 x 110 37 x 190					
				335 152 198	9.14 9.75 7.5		153 290	9.14 9.14
Norway Keppel Norway Outfitting Quay	Outfit Quay						200	15

* Light Displacement Tonnage

Global Contacts

SINGAPORE

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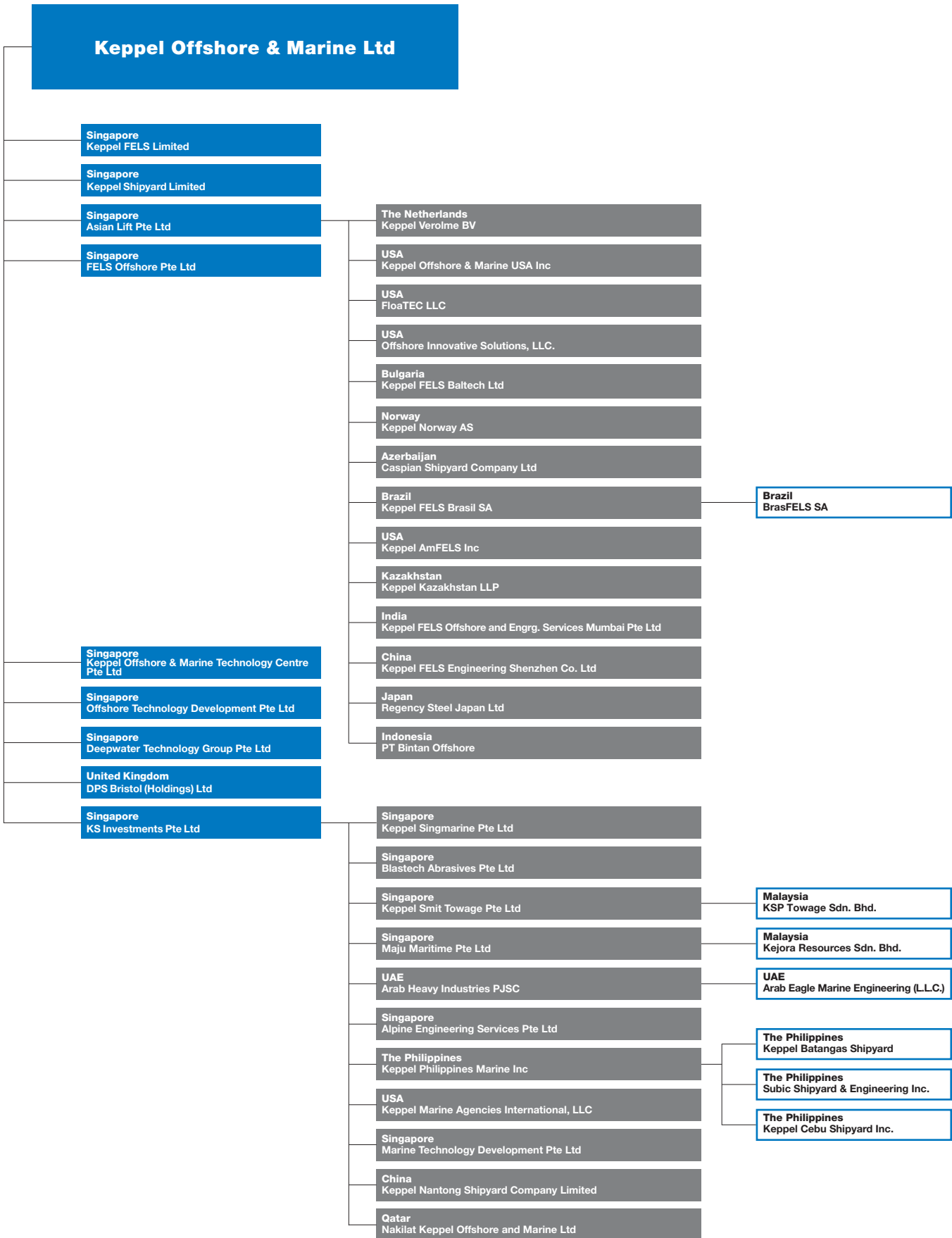
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