

Making Our Mark

Five years and beyond

In 2007, Keppel O&M celebrated five years of strong growth since the restructuring and integration of Keppel Corporation's offshore and marine businesses under one banner.

The rationalisation of our businesses to focus on specific segments of the offshore and marine sector was well-timed with the offshore industry's revival from a 20-year downturn. The investments we ploughed into technology innovation during the slump have also yielded a set of viable and cost-effective proprietary designs ready for harvesting.

With the rich experience and expertise of our business units and their workforce, the Group forged ahead as a unified and nimble body, ready to capture new opportunities.

As at end-2007, we achieved a strong net orderbook of over \$12.2 billion, which includes more than \$7.4 billion worth of new contracts secured during the year.

The Company's revenue nearly quadrupled from \$1.9 billion in 2002 to \$7.3 billion in 2007, whilst return on equity more than doubled from about 20% in 2002 to 46% in 2007.

All this time, our main focus has been to strengthen our workforce, technology and relationships with customers and stakeholders. As we chart our growth beyond the next few years, we will continue to sharpen our focus in these areas, as well as enhance our capacity and processes to strengthen execution.

Amidst challenging operating conditions, we also exercise robust risk management and good corporate governance practices to safeguard stakeholder interests.

Our mandate remains to deliver on our promises on time, within budget and without incidents.



“We did not stop investing in our people and technology, not even during the downturn of the industry. We have strong talent management and succession planning systems in place for the Group to grow beyond the current generation.”



**MR CHOO CHIAU BENG
CHAIRMAN & CHIEF EXECUTIVE OFFICER,
KEPPEL O&M**



GROWING IN CAPABILITY AND REACH

The Group's expansion is driven by the aim to be close to our customers and their key markets. Our "Near Market, Near Customer" strategy, bolstered by the strengths of 20 strategically-located shipyards worldwide, has positioned Keppel O&M strongly to meet our customers' needs and to harness arising opportunities.

In 2008 and beyond, our priority is to ensure that we continue to execute well our projects in hand while continuing to boost our global capacity and capabilities.

Our decision to set up a yard in Brazil in 2000 has sharpened our edge in the market and prepared us to address

Keppel O&M leverages its global network of yards such as Keppel Verolme to maximise efficiency.

requirements for local content. It also paved the way for the securing of several significant projects worth billions of dollars from Brazil's national oil company, Petrobras. Through Keppel FELS Brasil, the Group is well-placed to participate in Brazil's growing offshore market.

At the same time, we are also looking to establish a presence in Mexico.

In 2007, Keppel AmFELS secured a contract to build a second jackup rig for Mexican drilling contractor, Perforadora Central SA de CV. The first unit was delivered in 2004 and is working for PEMEX, Mexico's national oil company. Our Houston-based Keppel O&M (USA) and its partners have also completed

the construction and installation of two accommodation platforms, *HA-KU-M* and *HA-KU-S*, for PEMEX on site in the Ku-Maloob-Zaap field.

Presently, three of four ENSCO 8500 series deepwater semisubmersible (semi) rigs being constructed by Keppel FELS have been contracted in the Gulf of Mexico. We are confident of leveraging our keen market understanding and track record to position Keppel O&M as a choice solutions partner in the Mexican offshore market.

In early 2007, we partnered Qatar Gas Transport Company, the world's leading transporter of Liquefied Natural Gas (LNG), to develop a world-class shipyard in the Port of Ras Laffan, Qatar. This shipyard is envisioned to become a centre of excellence for the repair and maintenance of LNG carriers, thereby securing a strategically important link in the supply chain of natural gas from wellhead to consumer.

Qatar is the world's third largest producer of natural gas behind Russia and Iran, and intends to significantly expand production in the next five years to about 8.7 trillion cu ft, or nearly six times greater than its 2005 output levels. Our new 43-hectare shipyard is expected to commence operations in 2010, and will fortify our offerings to customers.

Meanwhile, we are also expanding and equipping our overseas shipyards in Azerbaijan, China and the Philippines to take on more offshore and marine work.





“As long as people are drilling for oil and gas, we will be there to provide solutions. Our ‘near market, near customer’ strategy takes us to where the customers want us to be.”

**MR TONG CHONG HEONG,
MANAGING DIRECTOR & CHIEF OPERATING OFFICER, KEPPEL O&M**

The resource-rich countries in the Caspian Sea region are currently developing their oil and gas fields in earnest. To meet upcoming demand and growth, plans are underway to expand the facilities of Caspian Shipyard Company (CSC) with the leasing of additional shipyard land from our partner SOCAR, Azerbaijan’s State Oil Company. When finalised, this arrangement will increase CSC’s yard capacity by about three times. CSC, which has an entrenched presence in Central Asia since 1997, is currently supporting Keppel Kazakhstan in fabrication work for the Kashagan field.

Keppel Nantong Shipyard (Keppel Nantong) in China was inaugurated in August 2007, and is already constructing 22 vessels as at March in 2008. Keppel Nantong augments the Group’s newbuilding capacity for specialised vessels to meet growing demand from the offshore field development market, as well as LNG terminals and maritime ports. We are presently in talks with the Nantong government to expand our yard.

In recent years, our yards in the Philippines have made good progress and have embarked on offshore work outsourced by Keppel FELS. These include the construction of the mid-pontoon sections

of semis for ENSCO, Global SanteFe and Mærsk Contractors.

Our Philippine yards are being upgraded continuously with infrastructure such as complete panel line systems, block assembly facilities and heavy-lifting equipment to enable them to take on the fabrication of offshore rig structures and specialised shipbuilding.

Our yard in Batangas is being outfitted with two more assembly areas to provide added facilities for offshore projects.

There are also plans to further expand the yard’s capacity.

The efforts to grow our yards’ infrastructure and capacity will keep the Group abreast of its commitments to deliver our projects on time, within budget and without incidents.

**STRENGTHENING
TECHNOLOGY PLATFORMS**

Our investments in research and development (R&D) have helped to establish Keppel O&M as the leading

Building on our presence – The christening of *P-52* in June 2007 was officiated by President Luiz Inácio Lula da Silva of Brazil (third from right) and the Keppel and Petrobras teams.





Joined by Dr Ng Eng Hen (extreme right), former Minister for Manpower, and members of the Union, Management led employees in the Keppel O&M song during the Company's 2007 Family Day at Sentosa.



“All our proprietary jackup and semisubmersible designs have been developed together with our customers. Ultimately, our technology innovation must create value for our customers.”

MR MICHAEL CHIA
EXECUTIVE DIRECTOR, KEPPEL FELS

provider of quality solutions in our selected segments of the industry.

Our viable and cost-effective proprietary designs, most of which were developed during the 20-year industry slump, have won market acceptance and generated some \$15 billion worth of contracts in recent years.

To boost our R&D edge and to develop competencies that will position the Group for long-term growth, we unveiled the Keppel Offshore & Marine Technology Centre (KOMtech) in December 2007.

KOMtech is an extension and strengthening of current R&D initiatives for rig and ship designs undertaken by our technology units – Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD). It will also work closely with our industry partners to conceive effective solutions for the market.

In the same vein, we entered several technology partnerships with trend-setting industry players during the year.

We signed a Memorandum of Understanding with the Centre of Offshore Research Engineering of the National University of Singapore

in March 2007 to support its research projects in offshore and marine engineering.

We entered into a Technology Cooperation Agreement with Conoco Phillips to embark on selected projects related to the concept development, design and construction of ships and offshore installations for the exploration, production and transportation sectors of the energy industry.

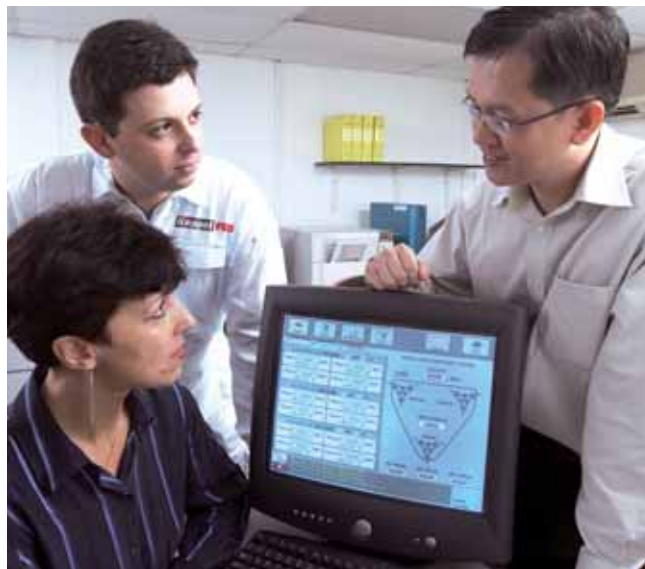
KOMtech and OTD also rallied more than 20 industry players in the entire jackup value chain, to co-operate and fund the InSafeJIP programme, which seeks

to improve the existing guidelines and codes for jackup foundations.

What we do today has a bearing on our future. With this in mind, we are strengthening technology innovation to sustain our market leadership and to provide a quantum leap in returns for the Group.

FORTIFYING OUR WORKFORCE

At the end of 2002, we had a global headcount of 13,800 employees. Our workforce has since doubled to 27,000 employees working in 20 yards across 16 countries.



Keppel continues to sustain growth through technology innovation and knowledge sharing.



“Some of the best projects are those where we had the opportunity to work closely with our customers.”

**MR NELSON YEO
EXECUTIVE DIRECTOR, KEPPEL SHIPYARD**

The boom in the offshore and marine industry has sparked a huge demand for engineers, naval architects, other key professionals and workers. Our efforts in training and nurturing people both during bad and good times have given the Group a good head start in the current talent shortage.

Presently, the Group employs over 1,300 engineers in Singapore,

Our employees are put through comprehensive training programmes and groomed to maximise their potential.

two-thirds of whom are graduates and postgraduates. Engineers make up more than 50% of our executive workforce, and they come from mechanical, electrical and civil engineering backgrounds.

Most of our management personnel are trained engineers who were recruited as fresh graduates from polytechnics and universities and

groomed through our management trainee programme. All of them have overseas working experience.

To support future growth, particularly in ensuring a succession of qualified and talented personnel, we need more competent people who can be deployed to their maximum capabilities. Moreover, the high level of specialisation required in our nature of work takes years of training and development.

Addressing these challenges, we are positioning ourselves as an employer of choice with a holistic approach towards attracting, developing and motivating staff.

The Group's talent development and training units were set up in 2002. We have also collaborated with several educational institutes and training providers to develop and launch a comprehensive series of training programmes.

Competitive remuneration packages and structured career paths were also implemented. The latest initiative was the inauguration of the Keppel O&M College in November 2007 as a platform to roll out our talent and succession management framework across our overseas operations.

In 2006, we embarked on the extensive *Grow Beyond* branding campaign with



other companies in the Keppel Group. This was bolstered by our sponsorship of the highly popular local television drama serial, *The Peak*, in 2007, which gave a vibrant portrayal of the offshore, marine and maritime industries.

These efforts have greatly enhanced the visibility and perception of our industry and businesses.

We have also worked tirelessly with our international industry partners and educational institutes to develop programmes and training schemes to grow the talent pool.

Since 2000, we have awarded more than 500 scholarships to tertiary students and staff. And in 2007, we invested \$17 million on training and development for our employees worldwide.

As a Group, we provide ample opportunities for our people to be immersed in a global environment and to develop their skills and careers. We also offer overseas stints for our employees and encourage inter-department rotations to offer depth and breadth in their development.

We recognise that a company is only as good as its people. As such, we

remain committed to augment our management systems to support the nurturing of a resilient and committed global workforce. In this regard, we have also established an Organisation Development unit to assist in the strategic management and strengthening of our organisation structure.

CELEBRATING OUR SUCCESS

During our fifth anniversary in 2007, Keppel O&M and our employees contributed over \$1 million to support various welfare organisations tending to the sick, the handicapped and people with intellectual and psychiatric disabilities.

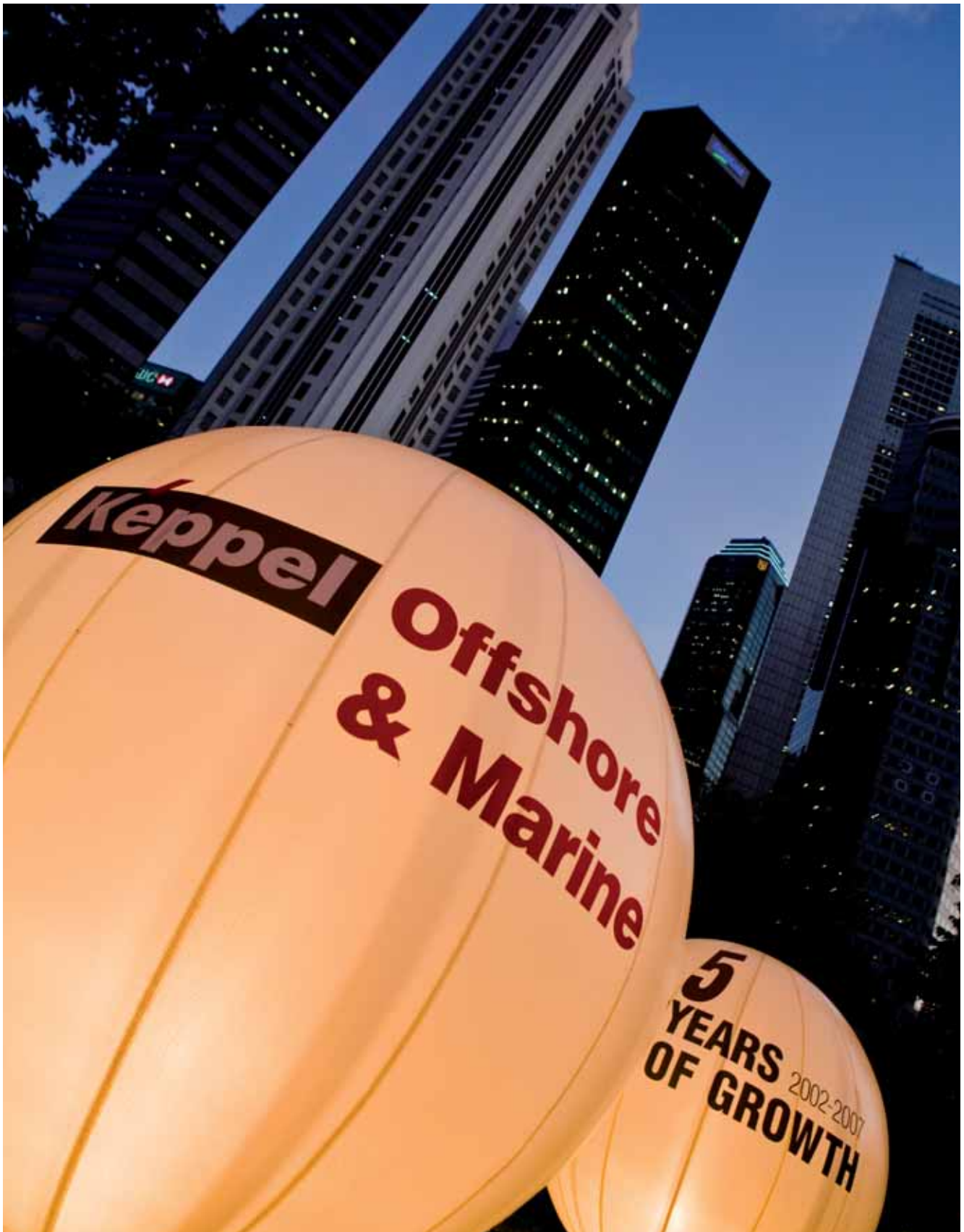
We also renewed our commitment to safety with a successful attempt to create the world's longest chain of safety helmets at the annual Keppel O&M Family Day event at Sentosa's Siloso Beach.

With the help of our employees, partners and subcontractors, a 5.8 km wall made of 18,000 safety helmets was erected with the safety message "Safety first! Our Yard, Our Home" emblazoned on it. This collaborative effort was topped off by Dr Ng Eng Hen, former Minister for Manpower and Second Minister for Defence, and honoured with titles in



“We have a results-driven workforce with a *Can Do!* spirit. Our commitment to uphold our core values has produced strong results that Keppelites worldwide can be proud of!”

**MR HOE ENG HOCK,
EXECUTIVE DIRECTOR, KEPPEL SINGMARINE**



Keppel O&M is poised to grow from strength to strength.



“We have established a strong reputation for our ability to execute quality projects on time, within budget and without incidents. We will continue to ensure that we maximise the efficiency of our operations to meet our customers’ needs.”

MR WONG KOK SENG
EXECUTIVE DIRECTOR (OPERATIONS), KEPPEL FELS

both the *Guinness World Records* and the *Singapore Book of Records*.

Our fifth anniversary culminated in a massive celebration on 3 December 2007 at the Asian Civilisations Museum, in the presence of over 400 Keppelites, partners, business associates and well-wishers.

Guest-of-Honour Mr George Yeo, Minister for Foreign Affairs, unveiled KOMtech and launched our commemorative book *More than Mettle: The Keppel Offshore & Marine Story*.

More than Mettle is a story of survival and resilience. It narrates our rapid growth in just five years to become a world leader in the key segments of the offshore and marine industry.

The book is a tribute to the *Can Do!* spirit and the strong bond and teamwork of our people who have enabled Keppel O&M and our predecessor companies to overcome tremendous challenges.

It is our hope that the book, along with our challenges and achievements in the last five years, will inspire our people to take the Company into the future.



Celebrating Keppel O&M's 5th anniversary, Mr George Yeo, Minister for Foreign Affairs, together with Keppel's senior management launched KOMtech as well as the book *More than Mettle: The Keppel Offshore & Marine Story*.