

grow
beyond...

structures.

More than strong execution, Keppel O&M offers superior solutions through strategic partnerships, technological leadership, innovative designs and business excellence.

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We have the strategic imperatives to be the provider and partner of choice in our chosen segments of the global offshore and marine industry.

Project highlights

Synergy in the Keppel Offshore & Marine Group has optimised the capability of our yards.

Timely deliveries in 2006

	Client	Yard	Contractual Delivery	Actual Delivery
ENSCO 107 (Jackup, KFELS B Class)	ENSCO	Keppel FELS	31 Jan 06	16 Jan 06
SMIT Komodo (AHTS)	SMIT	Keppel Singmarine	11 Feb 06	24 Jan 06
FPSO Capixaba (FPSO Conversion)	SBM	Keppel Shipyard	2 Feb 06	2 Feb 06
FPSO Alvheim (FPSO Conversion)	Marathon Petroleum	Keppel Shipyard	28 Feb 06	28 Feb 06
Bourbon Artémis (AHTS)	Bourbon Offshore	Keppel Singmarine	28 Feb 06	28 Feb 06
Hadi 20 (AHTS)	Hadi	Keppel Singmarine	8 Apr 06	6 Mar 06
Deep Driller 2 (Jackup, KFELS Super B Class)	Sinvest	Keppel FELS	30 Apr 06	27 Apr 06
SeaDrill 3 (Jackup, KFELS B Class)	SeaDrill	Keppel FELS	3 May 06	2 May 06
SMIT Nicobar (AHTS)	SMIT	Keppel Singmarine	4 Jun 06	26 May 06
Bourbon Astyanax (AHTS)	Bourbon Offshore	Keppel Singmarine	31 May 06	29 May 06
KST Sedna (Tug)	Keppel Smit	Keppel Singmarine	7 Jun 06	7 Jun 06
KST Sirius (Tug)	Keppel Smit	Keppel Singmarine	14 July 06	14 July 06
Maju Solar (Tug)	Keppel Smit	Keppel Philippines Marine	9 Aug 06	9 Aug 06
Maju Solitaire (Tug)	Keppel Smit	Keppel Philippines Marine	22 Aug 06	22 Aug 06
Zamil 14 (AHTS)	Zamil	Keppel Singmarine	9 Oct 06	25 Aug 06
Bourbon Rhode (AHT)	Bourbon Offshore	Keppel Singmarine	12 Sept 06	12 Sept 06
Zamil 15 (AHTS)	Zamil	Keppel Singmarine	13 Oct 06	20 Sep 06
HA-KU-M (Accommodation Platform)	PEMEX	Keppel AmFELS	23 Oct 06	13 Oct 06
Deep Driller 3 (Jackup, KFELS Super B Class)	Sinvest	Keppel FELS	7 Nov 06	6 Nov 06
Bourbon Rhesos (AHT)	Bourbon Offshore	Keppel Singmarine	13 Nov 06	13 Nov 06
HA-KU-S (Accommodation Platform)	PEMEX	Keppel AmFELS	30 Nov 06	29 Nov 06
Ocean Endeavor (Semi Upgrade)	Diamond Offshore	Keppel FELS	6 Dec 06	6 Dec 06
Al-Khor (Jackup, KFELS B Class)	Gulf Drilling International	Keppel FELS	8 Dec 06	7 Dec 06
KST Leo (Tug)	Keppel Smit	Keppel Singmarine	11 Dec 06	11 Dec 06
West Berani (Drilling tender)	SeaDrill Asia	Keppel FELS	13 Dec 06	13 Dec 06
M.V. Svetlyy (Ice-Class AHTS)	LUKOIL	Keppel Singmarine	31 Dec 06	20 Dec 06
WilCraft (Jackup, KFELS B Class)	Awilco	Keppel FELS	31 Dec 06	27 Dec 06
SMIT Langkawi (AHTS)	Hadi	Keppel Singmarine	28 Jan 07	28 Dec 06

Chairman's statement

We will continue to forge “win-win” relationships with stakeholders to further enhance our value proposition to customers.



Dear Stakeholders,

Record performance

Keppel Offshore & Marine (Keppel O&M) had an outstanding year in 2006. All our 26 major projects were delivered in a timely manner and within budget.

Revenue and net profit set new records at S\$5.7 billion and S\$459 million respectively, with corresponding increase of 41% and 101% over the previous highs in 2005. Return on equity improved from 35% to 50% for the same period.

The strong performance is spread across the Group with the offshore, marine and specialised shipbuilding divisions all posting excellent earnings.

Our new orders for the year totalled S\$7.3 billion, which was 12% higher than in 2005. The amount of new contracts is the largest in our history, contributing to a net order book of S\$10.5 billion worth of projects at the end of the year, with deliveries stretching into 2010.

Among the significant projects secured were 10 jackups, nine semisubmersible (semi) newbuild and conversion projects, 14 offshore support and specialised vessels and seven Floating Production Storage and Offloading (FPSO) conversions.

Strong fundamentals

2006 was marked by fluctuations of spot oil prices with the price per barrel of oil moving within a wide range between US\$50 and near US\$80. Despite the fluctuations, we saw a consistent stream of new orders, underpinned by sound fundamentals.

Global demand for oil has been growing at a strong and steady pace for more than five years. So long as the price per barrel of oil can hold above US\$35 and natural gas price above US\$5 per mmscf, operators are likely to continue investing in exploration and production (E&P) to replace depleting reserves and meet rising demand for reliable energy. Barring adverse geopolitical events and security threats to future energy supply, worldwide spending on E&P is expected to rise moderately in 2007.

Rig utilisation is currently at full capacity, and newly completed rigs are being chartered out at record high fixture

rates. The demand for equipment is also strong in the floating production sector, where more than 100 projects are in the bidding, design and planning stages.

The level of enquiries for rigs and FPSO conversions continues to be robust, and some of these should translate into orders.

The current positive outlook for the offshore industry will also drive demand for Offshore Support Vessels (OSVs), which is good for our Specialised Shipbuilding division.

Heightened activity in FPSO conversions has reduced market capacity for shiprepair despite new entrants from China, Vietnam and the Middle East. This augurs well for our Shiprepair division. Servicing tankers and containerships remains core to Keppel Shipyard.

Successful strategies

Building and converting complicated facilities such as mobile offshore drilling rigs and floating production units require strong teamwork. It is through close partnerships with customers, designers, Class, vendors, suppliers and contractors that we have been able to deliver on our promise – on time and within budget.

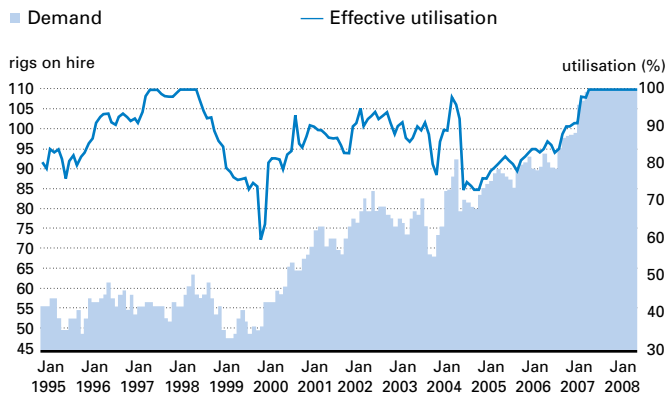
We will continue to forge “win-win” relationships with stakeholders to further enhance our value proposition to customers.

Our strategy of “Near Market, Near Customer” service has worked well for us in the different oil and gas regions where our business units are located.

We have just signed an agreement with Qatar Gas Transport Company Ltd (Qatargas) to jointly develop a world-class shipyard facility in the Arabian Gulf. The yard will begin operation in 2010, which is timely for the large numbers of Liquefied Natural Gas (LNG) carriers and new vessels entering the market, especially in the Middle East.

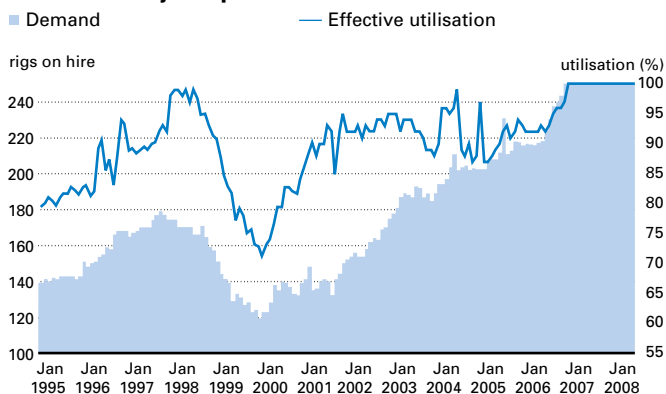
In line with our disciplined approach to increase capacity, Keppel FELS has leased a 9-hectare site close to its Shipyard Road facility in Singapore and set up a joint-venture yard in Bintan, Indonesia. Our Philippine yards have also upgraded their facilities to support Keppel FELS in offshore projects.

International floaters demand v utilisation



Source: ODS-PETRODATA, International Rig Report, February 2007

International jackups demand v utilisation



Source: ODS-PETRODATA, International Rig Report, February 2007

Our specialised shipbuilding yard in Nantong, China, which started operations in March last year, is today building 13 vessels for various international owners. This facility, like our yards in the Philippines, has enabled us to realise the advantage of outsourcing to lower cost centres.

Technology platforms

2006 saw the Group augmenting its technology platforms to grow beyond as a sustainable company.

Our technology arms, Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD), have proven that they are capable of developing innovative solutions for customers.

In consultation with a trend-setting customer, OTD has created the KFELS N Class jackup rig design. This is a cost-effective drilling-cum-production rig capable of working in very difficult environments such as the Norwegian Sector of the North Sea. We have received two orders for this rig design.

The MSC-DTG DSS™ 38 and DSS™ 51 deepwater drilling semi designs also gained market endorsement with one order each from drilling contractors. The DSS™ 38 has been designed specifically for conditions similar to that of Brazilian deepwater areas.

Even as DTG expands its proprietary deepwater products and designs, it will continue to work closely with FloaTEC, LLC, our joint venture with J Ray McDermott. With its complete suite of proprietary deepwater production solutions comprising tension leg platforms, spars and semis, FloaTEC, LLC offers objective value propositions to customers.

Leadership in technology is essential to our long-term growth. In this regard, I am pleased to announce that our Board has approved the setting up of the Keppel Offshore & Marine Technology Centre. Complementing our three existing technology units, this Centre will support our business units to develop new solutions that will address customer needs.

Market penetration

Capitalising on the innovations of MTD, Keppel Singmarine worked with designers to secure turnkey projects from LUKOIL Oil Company (LUKOIL) for an auxiliary icebreaker, a multi-purpose icebreaking supply vessel and a Floating Storage and Offloading (FSO) vessel in 2006.

These three projects are among five orders that Keppel Singmarine has received from LUKOIL in the last two years. With these contracts, Keppel has re-entered the Russian market after more than a decade.

Another breakthrough was in the Indian offshore market where Keppel FELS secured an impressive four rig orders within the year.

In the North Sea, Keppel Verolme's persistence paid off in the decommissioning niche market where it secured a contract for a first-in-the-world heavy lifter of its class.

New business

In recent months, we have been able to co-invest in FPSOs and rigs with long-time customers. We believe that the market is right for shipyards and owners to collaborate and leverage one another's capabilities to offer additional value to end-customers.

We will explore different alliances with trend-setters in order to capture greater value.

Year ahead

This year, as we mark the fifth anniversary of the integration of our yards around the world under Keppel O&M, we also celebrate Keppel FELS, Keppel Singmarine and Keppel Verolme's 40th, 120th and 50th milestone years respectively. We expect yet another exceptional year in 2007 as we meet our commitments to deliver 33 major projects, including nine jackups, 1 semi and 6 OSVs.

The market for manpower and equipment is tight. We will pursue innovative ideas in recruitment and training while managing our procurement value chain. This will ensure that we continue to execute all our projects within budget and in a timely fashion, while pursuing more jobs.

Safety remains critical to our success. We want all our employees to go home in the same condition as they come to work. This is only possible when everyone takes care of himself and his fellow colleagues.

A company is as good as its people. We will continue to foster in our people the core values that drive results and create a learning organisation.

Acknowledgement

I thank all our customers for their partnership and confidence in Keppel, and our business associates, Class, vendors, suppliers and contractors for working hard with us.

Our sterling performance belongs to the men and women of Keppel O&M who have put in their best-ever performance. With the support of our partners and the local communities, our people have created much value for our customers.

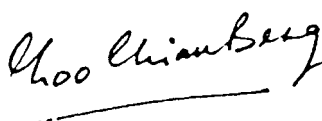
I am indebted to my colleagues. CH Tong's zeal and relentless commitment to ensure that our global operations meet customers' expectations is unmatched. Sit Peng Sang, with his astute mind and keen eyes, guards our financial and commercial interests. Charles Foo's wit and wisdom saw us through crucial issues.

Michael Chia, Nelson Yeo and Hoe Eng Hock, the Executive Directors of Keppel FELS, Keppel Shipyard and Keppel Singmarine respectively, together with the country heads, have demonstrated tremendous leadership to bring out the best in their people. The union leaders in all our yards have been exemplary in working with Management to produce the results that we are now enjoying.

I would like to acknowledge the support and co-operation of all the local, state and federal authorities in the 16 countries where we have presence.

I am also grateful to our Board of Directors for their invaluable contributions and wise counsel.

Yours sincerely,



Choo Chiau Beng

Chairman & Chief Executive Officer

30 March 2007

Keppel Offshore & Marine has the depth and breadth to grow beyond.

Our depth in technology and breadth of industry knowledge, as well as the span of our global reach give us the competitive edge to provide unmatched solutions for our customers.

Our sterling portfolio of leadership businesses demonstrates our ability to offer value propositions that are second to none.

Leveraging our “Near Market, Near Customer” strategy, we have the imperatives to be the partner and provider of choice.

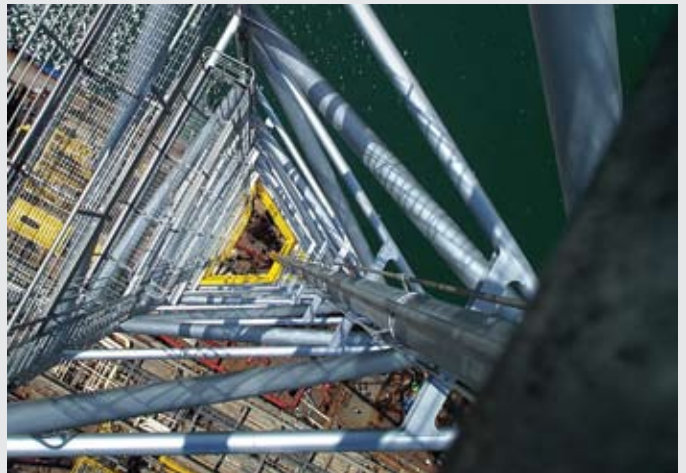
**Rock-solid
foundation**



**Leading-edge
strengths**



**Drilled-down
execution**




**Widespread
platforms**



Rock-solid foundation



A large-scale photograph of an offshore oil rig. The structure is composed of multiple levels of steel platforms and walkways, supported by several massive, bright red cylindrical legs. A tall, lattice-structured derrick is visible on the left side. The sky is overcast and grey. The overall scene conveys a sense of industrial scale and complexity.

Growing beyond our stature through depth and breadth of our reputation.

Our reputable brand equity, founded upon our solid track record, exemplary leadership and good governance, facilitates our business strategy to build a sustainable future.

Reputable brand equity

Keppel Offshore & Marine (Keppel O&M) has a strong reputation as an innovative and reliable Group. We are renowned for our *Can Do!* attitude, delivering our promises on time and on budget.

The Keppel name carries a premium and opens doors for our business units worldwide.

Sterling track record

We have a proven track record as the choice solution provider, accumulated from the illustrious experiences of our business units.

We were Singapore's first shiprepairer established in 1859. In offshore, we began business 40 years ago. Our Specialised Shipbuilding division is celebrating its 120th anniversary this year.

Having rode the different business and economic cycles, we are now much stronger and more resilient to grow beyond our present success in our chosen segments of the offshore and marine industry.

Exemplary leadership

Our leaders walk the talk of our core values, living them out and driving our success.

They are talented and tough-minded men with bold visions. They are the team which took the Group through the booms and busts of the industry. They have the insights and the adaptive qualities to bring the Group to new heights.

Deeply committed to nurture our people, they have also cultivated a learning culture, empowering our multi-talented personnel to create new value for stakeholders.

Strong governance

Corporate accountability and effective governance underpin our strategy of ensuring business sustainability.

Internal controls, such as financial, operational and compliance controls as well as risk management procedures, are in place and subject to regular audit. Augmented by our business continuity management framework, we are confident of mitigating threats that disrupt operations.

Safety of workers is always our top priority. This is reflected in our Board Meetings where safety reports are first on the agenda. With Keppel Corporation's Board Safety Committee, we continually enhance our robust safety management system.

To achieve greater business distinction, we encourage discipline and integrity, while promoting creativity and innovation in pursuing value-added solutions for our customers.



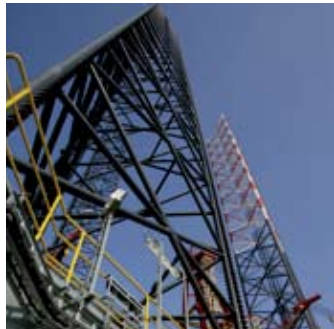
In 2006, we conducted a series of Avian Flu Preparedness simulation exercises in the Singapore and the Philippine yards as part of our overall plan to deal with a pandemic.



Our strong core values underpin our drive for success. With the example set by Management, we live out our values of integrity, teamwork and accountability.



At a time when our yards were busy, strong project management and execution capabilities were key to our ability to deliver all 26 major projects on or ahead of time and within budget.



The Keppel brand is a mark of excellence. It embodies our culture of innovation and quality.

Leading-edge strengths





**Growing beyond our potential through depth
and breadth of our leadership businesses.**

Embedded in our operating units are new growth platforms which we can scale up as we extend our business reach.

Offshore innovation

The oil and gas industry looks for companies with the ability to deliver a product of the right quality, on time, on budget and with good safety records.

Being customer-focused and performance-oriented, we have adapted and positioned ourselves to meet their needs and challenges. Today, we have the means to offer proprietary designs and creative solutions.

Building on its winning KFELS B Class drilling rig design, Keppel FELS has strengthened its lead in jackup rigs with the introduction of the innovative KFELS N Class drilling-cum-production rig design. Its MSC-DTG DSS™ series of deepwater rigs and the SSDT™ designs have been accepted by drilling contractors.

Entrenched project excellence and a strong engineering base give us the leverage to penetrate the offshore production rig market.

Marine versatility

Experience. Expertise. Flexibility. Reliability. A *Can Do!* attitude. Committed to safety. Customer-focused. These are the qualities that set Keppel Shipyard's shiprepair and conversion services apart.

Benefitting from Singapore's strategic location on major sea-lanes and by concentrating on high value-added jobs, Keppel Shipyard augments its lead in the marine industry.

Its reputation in Floating Production Storage and Offloading (FPSO) conversions makes it a much sought-after partner in today's tight market situation. This has created an opportunity for co-investment in FPSO and FSO facilities to achieve a constant income stream.

Shipbuilding specialisation

Following the focus on specialised shipbuilding five years ago, Keppel Singmarine identified gaps in the offshore and coastal towage business value chain.

It saw the need for highly specialised Anchor Handling Tugs/Supply vessels to support offshore work as well as tugboats for harbour towage services.

Channelling its resources to meet these needs, the company is today a leading builder of Offshore Support Vessels (OSVs).

It has since developed design capabilities for these vessels, and has extended its scope to include a series of Ice-Class vessels for operation in extreme weather conditions.

Leveraging our core competencies, technology innovation and the Keppel brand, we will build new growth drivers to expand our portfolio of leadership businesses.



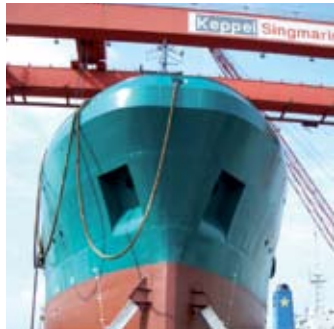
Since the introduction of the KFELS B Class design in 2000, Keppel FELS has delivered 13 such rigs. In 2006, six of the 10 jackups completed worldwide were built to this design.



Our MSC-DTG DSS™ series of deepwater drilling rigs have been chosen for their ease of construction and optimal operational performance.



Keppel Shipyard has completed more than 60 FPSO and FSO conversion, upgrading and repair projects, effectively positioning the company as one of the leaders in this sector.



Keppel Singmarine has created a niche for itself in the specialised shipbuilding sector. Since 2002, it has delivered over 35 OSVs, and secured several landmark contracts for the Group.



Drilled-down execution



**Growing beyond our standards through
depth and breadth of delivery.**

The touchstones of our promise of on-time on-budget deliveries are our experienced workforce, commercial and project excellence, comprehensive facilities, effective leverage of supply chain and strong customer relationships.

Commercial excellence

Rigbuilding is complex, and involves numerous interfaces such as design, construction, material, equipment and Class certification.

We are very prudent and disciplined in managing all kinds of risks. Our contracts are thoughtfully negotiated with customers to ensure that the pricing commensurates with the risks.

We are also careful to ensure that we have sufficient control over critical elements in each project.

Project execution capability

Our success in rigbuilding is a showcase of our project execution capability.

Good management is crucial to the successful execution of a project. The project manager is supported by an engineer, a superintendent and a safety officer in a matrix reporting system. He draws on the Group's resources in design and engineering, procurement and subcontracting, manpower and facilities to execute each project.

Through open communication, he engages the customer daily on challenges and issues. The aim is to strike a "win-win" partnership and complete a high quality project on time and on budget.

Quality assurance

Doing it right the first time, every time, is our motto in production. Key to this is promoting an error-free attitude in our workforce. With procedures in place, employees are encouraged to minimise rework and wastages as well as undertake continuous improvements.

Our systems are audited every six months in compliance with ISO standards.

Experienced workforce

Our highly-skilled international workforce is capable of delivering quality products and services. Regardless of colour, creed and culture, they share common core values that drive success.

Our people have the relevant product and market knowledge. Supported by the comprehensive facilities in all our yards worldwide, we are able to meet new industry challenges.

Our pursuit of superior performance drives us to better our systems to excel in providing quality products and services.



Virtual rig construction helps minimise errors before actual work starts in the yard. Supported by a team of engineers working round the clock, we are well equipped to meet the changing needs of the oil and gas industry.



Despite increased workload, we maintain high quality for all our projects. For example, in 2006 Keppel FELS achieved a non-destructive testing defect rate of 0.5%, which was significantly lower than the targets of 3% – 4% set by oil companies.



Material procurement is critical in our bid to offer unparalleled services to customers. Group sharing allows us to maximise the utilisation of resources at every phase of a project.



Whether it is in Azerbaijan, Brazil, Kazakhstan or Singapore, our highly experienced workforce are imbued with the right attitudes to meet the requirements of our customers.

Widespread platforms





Growing beyond our financial performance through depth and breadth of investments.

We will leverage our intellectual capabilities, global resources and network of partners to build new springboards for the future. As we seek to grow beyond today, we also want to enhance the lives of the communities where we operate.

Investing in technology

Technology is vital to differentiate ourselves from our competitors as we pursue a sustainable future.

We have three technology groups – Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD) – spearheading our in-house technology initiatives.

The solutions being developed by our technology units must meet the criteria of commercial viability and customer needs.

We also adopt a technology foresight strategy for the generation of future solutions. In line with this strategy, we are establishing Keppel O&M Technology Centre to carry out research into areas which have medium to long-term market relevance.

Leveraging global network

Our integrated network of yards is centrally-controlled and locally-managed. This has given us the flexibility to undertake a single project in multiple locations. This has also enabled us to ramp up capacity swiftly to handle our huge order book.

In addition, our global presence has provided us the platforms to create opportunities and expand into new markets.

Forging strategic partnerships

Most business breakthroughs in the offshore and marine industry come from partnerships and collaborations amongst operators, drilling companies, shipyards and designers.

The KFELS B Class and KFELS N Class jackup designs, as well as the SSDT™ and MSC-DTG DSS™ series of semisubmersible designs, are examples of technological superiority achieved through collaborations with like-minded trend-setters.

The highly successful business alliances we have with customers such as ENSCO, Prosafe and Frontline demonstrate the added value we can create for one another when we tap each other's strengths.

Serving our communities

We believe in serving and contributing to the communities where we operate.

Our support of local communities ranges from education, sports, charities and performing arts, to community development and international trade promotion.

Our proven Apprenticeship Scheme has been implemented in different parts of the world, with programmes tailored to local needs. These programmes enable the local people to learn basic skills that enhance their employability.

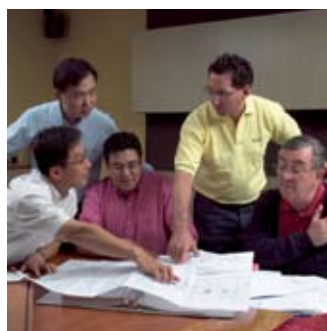
Corporate social responsibility is core to Keppel. We recognise the importance of contributing to the communities where we operate.



Our continual investment in technology saw the fruition of our first contract to design and build the KFELS N Class for the Skeie Group at end-2006. Keppel secured another N Class contract two months later.



We broke into the decommissioning market in the North Sea through our European yard, Keppel Verolme. We clinched the contract to build the world's first concrete heavy lifter.



Our strategic alliance with ENSCO to renew their fleet of jackup rigs paid off. It enabled both companies to build rigs during the industry lull time. Today, ENSCO has the largest and youngest fleet of jackups in the world.



In spite of their busy work schedule, Keppel O&M staff were out in force along Orchard Road, Singapore, to help sell coupons in support of the SingHealth Foundations "Save Money, Save Lives" Project 2006.

Group financial highlights

Consolidated profit and loss accounts For the financial year ended 31 December 2006

	2006 S\$'000	2005 S\$'000	Change %
Revenue	5,743,398	4,068,029	+41
Operating Profit	554,477	306,809	+81
Net Interest/Investment Income	72,133	24,068	+200
Share of Results of Associates	13,006	8,376	+55
Profit before Tax	639,616	339,253	+89
Taxation	(148,626)	(73,517)	+102
Profit after Tax	490,990	265,736	+85
Minority Interests	(26,907)	(34,237)	-21
Profit before Exceptional Items	464,083	231,499	+100
Exceptional Items	(5,257)	(3,138)	+68
Attributable Profit	458,826	228,361	+101
Economic Value Added	420,143	182,649	+130

Keppel Offshore & Marine had another record year in 2006. Revenue increased 41% to reach S\$5.7 billion, reflecting the strong buildup of the order book over the last few years. New contracts secured during the year reached a record S\$7.3 billion, 12% higher than that of 2005.

Operating profit increased 81% to S\$554.5 million. Both the Offshore and Marine divisions did well. Net interest/investment income rose 200% to S\$72.1 million because of strong positive cashflows from new projects. Contributions from associates increased by 55% to S\$13 million.

Profit before tax was up 89% to S\$639.6 million. Attributable profit before exceptional items doubled S\$464.1 million to a record high.

The Group's key performance indicators reflect our strong performance. Return on equity rose to 50.0% from 34.8% in 2005, while economic value added was S\$420.1 million, an increase of S\$237.5 million over the previous year.

Consolidated balance sheets

For the financial year ended 31 December 2006

	2006 S\$'000	2005 S\$'000
Share Capital	339,716	332,277
Reserves	816,795	346,814
Shareholders' Funds	1,156,511	679,091
Minority Interests	85,492	76,808
Capital Employed	1,242,003	755,899
Represented By:		
Fixed Assets	802,702	724,328
Associates	68,423	58,538
Loans Receivable	2,460	4,411
Goodwill	109,588	112,205
Investments	217,350	29,595
Other Assets	165	22,546
	1,200,688	951,623
Current assets		
Stocks	116,513	80,031
Work-in-progress (Cost > Billings)	261,315	208,583
Related Companies & Associates	143,531	56,229
Investments	5,855	3,464
Other Assets	66,174	20,356
Debtors	835,679	760,422
Bank Balances, Deposits & Cash	2,492,493	1,553,392
	3,921,560	2,682,477
Current liabilities		
Creditors	1,325,402	836,293
Work-in-progress (Billings > Cost)	2,223,677	1,471,808
Short-Term Loans	50,760	330,053
Taxation	153,565	90,825
	3,753,404	2,728,979
Net Current Assets	168,156	(46,502)
Non-current liabilities		
Long-Term Loans	29,568	44,757
Deferred Taxation	95,980	102,922
Deferred Liabilities	1,293	1,543
	126,841	149,222
Net Assets	1,242,003	755,899

Keppel Offshore & Marine at a glance

Commitment to core values and successful execution of strategic initiatives deliver results in numbers.

1.2

Safety record

The accident frequency rate (AFR) achieved by Keppel O&M Singapore yards in 2006. This record is an all-time low figure and an improvement over 1.73 in 2005. The AFR measures the total number of reportable accidents per million manhours worked.

5th

Anniversary

Keppel O&M was formed in 2002. The year 2007 marks half a decade of successful integration of all its yards under one banner. This has enabled the Group to realise its full potential.

24,613

Population

The number of Keppel O&M personnel worldwide. The Group is a melting pot for more than 40 nationalities, united by 8 core values of the *Can Do!* attitude, strong customer focus, commitment to HSE, accountability to stakeholders, integrity, innovation and learning, global mindset and teamwork.

S\$17m

Training

This is the amount that Keppel O&M Group invested on training and development in 2006.

60%

Jackup drilling rigs

Keppel's share in the new jackup rigs that entered the market in 2006. This represents 6 units of KFELS B Class rigs delivered by Keppel FELS.

29%

Semi drilling rigs

Market share for new semi orders in 2006. Keppel O&M secured 5 out of a total of 17 semi drilling rigs orders during the year. Three of the rigs are co-designed by our Deepwater Technology Group.

S\$7.3b

New orders

Value of new contracts secured in 2006. The amount of new contracts is the largest in our history, contributing to a net order book of S\$10.5 billion worth of projects at the end of the year.

S\$459m

Net profit

The Group achieved this record in 2006 on the back of S\$5.7 billion in revenue. The previous high was in 2005, with S\$4 billion in revenue and S\$228 million in net profit.

Group strategic directions

We aim to be the leader in our chosen business segments.

Strategic directions

Objectives

Strategy in action

Leveraging Growth Platforms

- Create value by investing in R&D and forming alliances with trend-setters
- Foster growth by enhancing operational competitiveness and commercial excellence
- Build people into growth leaders to drive business success

- Technology leadership
- Business leadership
- Promotion of core values

Example: KFELS N Class design
Partnering a trend-setting customer, Keppel has developed the technologically innovative KFELS N Class jackup rig for concurrent drilling-cum-production in the North Sea.



Expanding Global Footprint

- 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 developments

- Expansion into new markets
- Creation of new business opportunities

Example: Blackford Dolphin
Keppel FELS, Keppel Shipyard, Keppel Verolme and Arab Heavy Industries are simultaneously carrying out refurbishment and life-extension work on the drilling rig.



Increasing Business Robustness

- Strengthen IT infrastructure
- Promote Group-wide sharing of experience, expertise and best practices
- Expand knowledge and technology base, with clear product focus at each yard

- Group-wide implementation of infrastructure such as Global Engineering Management System (GEMS), IT systems and Directory of Experts

Example: GEMS
This online collaborative system enables effective management of day-to-day engineering-related activities, ensuring that all projects are on track.



Fortifying Core Competencies

- Deliver value to customers and partners through excellent project management and execution
- Strive for continuous improvement
- Drive good governance

- Strengthening of project management and execution value chain
- Group-wide implementation of Enterprise Risk Management, Business Continuity Plan and Safety Best Practice

Example: Business partnership
Prosafe Production has entrusted Keppel Shipyard exclusively to carry out the conversion and upgrading of all their eight FPSO and FSO facilities over the last 10 years.



Group at a glance

We are focused on our vision to be the provider of choice and the partner in solutions.

Strategic management

A world leader in offshore and marine structures, Keppel Offshore & Marine (Keppel O&M) is headquartered in Singapore and has a global network of 20 yards. This allows the Group to optimise deployment of available resources, enabling us to execute 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.

We aim to strengthen our growth platforms and increase the throughput of our yards worldwide.

Senior Management is committed to build a culture of learning, and fostering new and innovative ideas.

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

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

Business segments



Offshore

Through Keppel FELS, the division is the world leader in the design and construction of mobile offshore rigs, particularly in jackups and semisubmersibles (semis). Through FloaTEC, LLC, it also offers an unmatched portfolio of multiple proprietary floating production system solutions for deepwaters.



Marine

With more than a century of experience and expertise, Keppel Shipyard is a world leader in the repair, conversion and upgrade for a diverse range of vessels, including Floating Production Storage and Offloading (FPSO) and Floating Storage and Offloading (FSO) conversions and Very Large Gas Carrier (VLGC) repairs.



Specialised shipbuilding

Providing one-stop value-added services, Keppel Singmarine has a track record of more than 300 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.

Value proposition

Focus for 2007/2008

Results in 2006

<ul style="list-style-type: none"> • Competent design and engineering solutions in newbuilds and upgraded rigs to suit contract requirements • Proven proprietary designs • Network of synergistic facilities worldwide • On-time and within budget deliveries • Technical expertise with strong commitment to Health, Safety and Environment (HSE) 	<ul style="list-style-type: none"> • Strengthen its lead in the offshore market • Develop innovative solutions and consistently deliver on its promise through excellent project execution • Expand its business by identifying potential growth markets and developing niche segments in frontier areas 	<ul style="list-style-type: none"> • Largest market share of jackup and semi drilling rig orders • Collaborations bearing results with launch of new designs such as the KFELS N Class jackup, the DSS™ 51 and DSS™ 38 semis which have gained client acceptance and orders • Ventured into the decommissioning market with its first heavy lifter newbuild contract
<ul style="list-style-type: none"> • Strong Keppel brand equity synonymous with reliability, flexibility and quality • Impressive track record in fast-track FPSO and FSO conversions • Technical expertise and deep commitment to HSE 	<ul style="list-style-type: none"> • Enhance knowledge for the conversion of production and storage facilities • Co-own FPSO and FSO facilities with customers for constant income stream • Optimise resources in Keppel's network of yards 	<ul style="list-style-type: none"> • Secured a record number of conversion contracts (seven FPSOs and one Floating Storage and Re-gasification Unit) • Docked more than 300 vessels for repairs and conversions • Delivered two major FPSO conversion projects
<ul style="list-style-type: none"> • Competent design and engineering solutions • Strong logistics and infrastructure support in Singapore • Cost-effective production centre in China • High HSE standard and commitment 	<ul style="list-style-type: none"> • Enhance fabrication capacity in lower-cost centres such as China and the Philippines • Enhance design and construction capabilities in sync with the market demand • Deepen penetration in emerging markets 	<ul style="list-style-type: none"> • Secured orders for 13 AHTS vessels and one Ice-Class FSO facility • Delivered three tugs and 11 OSVs including its first Ice-Class shallow draft AHTS vessel • Keppel Nantong Shipyard began operations in March and by December was constructing 13 vessels concurrently

Board of directors

Our strong Board of industry professionals and business leaders provides counsel and insights as we grow beyond today.



Choo Chiau Beng

Chairman and Chief Executive Officer of Keppel Offshore & Marine Limited; Senior Executive Director 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, k1 Ventures Limited as well as Keppel Energy Pte Ltd and is a Board Member of Singapore Maritime Foundation Limited and the Maritime and Port Authority of Singapore.

He is also Chairman of the Nanyang Business School's International Advisory Board, Det Norske Veritas South East Asia Committee 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 Singapore's Non-Resident Ambassador to Brazil.

Mr Choo was conferred the Public Service Star Award (BBM) in August 2004.



Tong Chong Heong

Managing Director and Chief Operating Officer of Keppel Offshore & Marine Limited; Managing Director of Keppel FELS Ltd 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.

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 Oversea-Chinese Banking Corporation Limited, Great Eastern Holdings Limited, The Great Eastern Life Assurance Company Limited, The Oversea 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 30 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 Cranfield Engineering Innovations Ltd and Cranfield Aerospace Ltd.



Dr Malcolm Sharples

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

With over 30 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 (6 years) and previously 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.

Dr Sharples is a Registered Professional Engineer, a Fellow of the Society of Naval Architects and Marine Engineers and 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 chairs the Hall of Fame Technology Pioneer selection committee.



Stephen Pan Yue Kuo

Chairman of World-Wide Shipping Agency Limited.

Mr Pan is also the Chairman of SIGCO (Shipowners Insurance and Guaranty Company) Private Trustee Company Limited, Bermuda and Chairman of Assuranceforeningen GARD, Norway. He is Vice President of the Baltic and International Maritime Council (BIMCO) and member of the DNV China Technical Committee and International Centre for Maritime Studies Advisory Board of The Hong Kong Polytechnic University. Mr Pan is also a Director of Jurong Port Pte Limited and The Ascott Group Limited.



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



Sit Peng Sang

Chief Financial Officer of Keppel Offshore & Marine Limited.

Mr Sit is a Director of Keppel FELS Ltd and Keppel Shipyard Limited.



Charles Foo Chee Lee

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

Mr Foo has responsibility 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

Our multi-talented leadership team steers the Group into the future.

Keppel Offshore & Marine



From left:

Lai Ching Chuan, General Manager (Corporate Development)
Jeffery Chow, General Manager (Legal)
Yong Chee Min, General Manager (Health, Safety and Environment)
David Teo, General Manager (Information Systems)
Anthony Toh, Group Security Manager
Charles Foo, Managing Director (Special Projects)
Fong Swee Theng, Group Facilities Manager
Wong Ngiam Jih, General Manager (Finance)
Sit Peng Sang, Chief Financial Officer (*seated*)



From left:
Hoe Eng Hock, Executive Director, Keppel Singmarine
Michael Chia, Executive Director, Keppel FELS
Nelson Yeo, Executive Director, Keppel Shipyard
Tong Chong Heong, Managing Director & Chief Operating Officer
Wong Kok Seng, Senior General Manager (Group Procurement)
Choo Chiau Beng, Chairman & Chief Executive Officer
Chee Jin Kiong, Executive Director (Human Resources)

Keppel FELS

From left:

Chandru Sirumal Rajwani,
General Manager (Quality
Assurance/Quality Systems)

Tan Dek Joon,
General Manager (Commercial)
(seated)

S Jaya Kumar,
General Manager (Marketing)

Michael Chia,
Executive Director

Too Lye,
Manager (Engineering)

Chor How Jat,
General Manager (Operations)
(seated)



From left:

Aziz Amirali Merchant,
General Manager (Engineering)

Yeong Wai Seng,
Senior Project Manager

Wong Fook Seng,
General Manager (Projects)

Richard Tay,
Shipyard Manager

Kwok Kai Choong,
Senior Project Manager

David Lee,
Financial Controller



Keppel Shipyard

From left:

Nelson Yeo,
Executive Director

Louis Chow,
General Manager
(Commercial – Conversion)

Abu Bakar,
General Manager
(Operations – Tuas)

Edmund Mah,
Financial Controller



From left:

Tan Peng Pong,
General Manager
(Engineering & Development)

Mah Chan Wah,
General Manager
(Commercial – Shiprepair)

Mok Kim Whang,
General Manager
(Operations – Benoi)

Spencer Leong,
Yard Manager
(Operations – Gul)



Keppel Singmarine

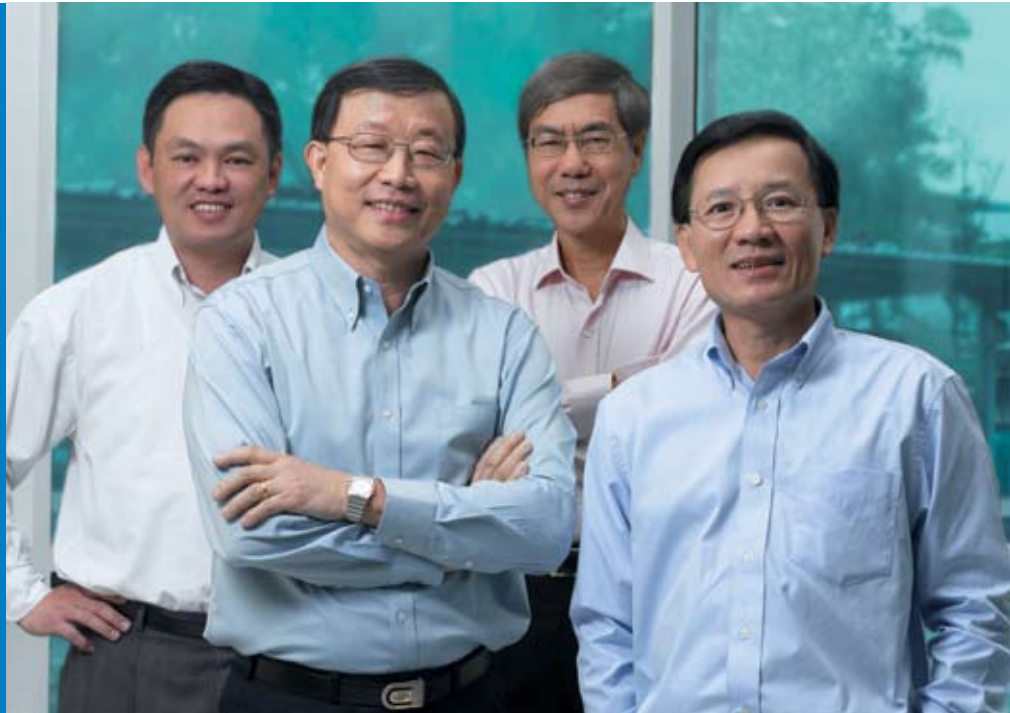
From left:

David Loh,
Assistant General Manager
(Commercial/Marketing)

Hoe Eng Hock,
Executive Director

Poon Tai Lum,
Deputy General Manager
(Commercial/Marketing)

Tan Cheng Hui,
General Manager (Engineering)



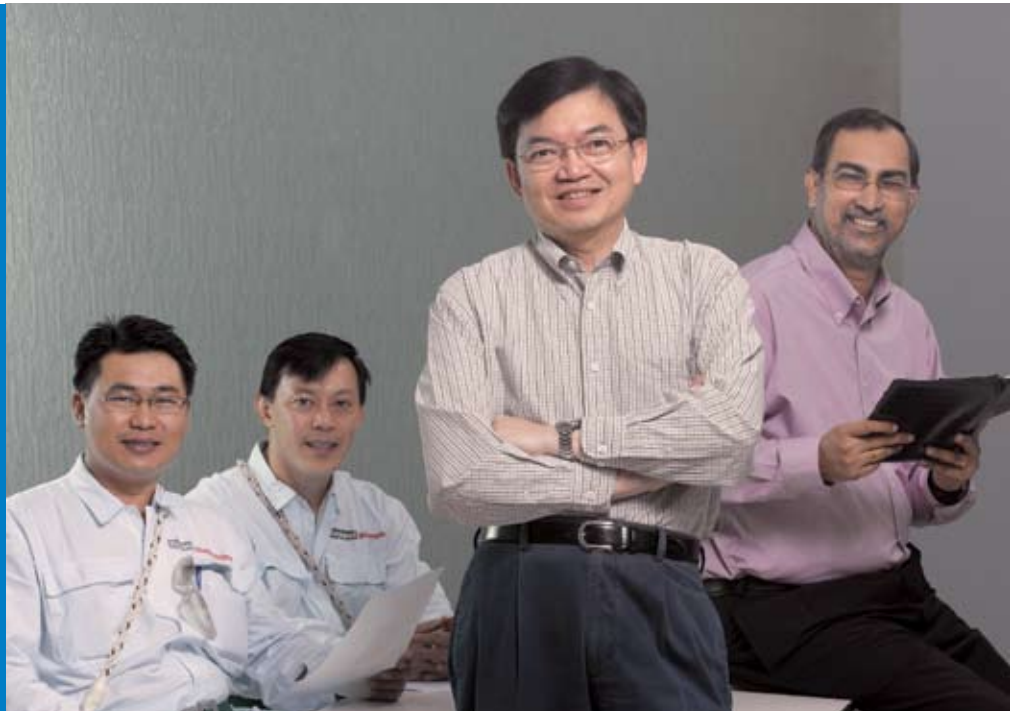
From left:

Edmund Lek,
Assistant General Manager
(Production)

Au-Yeong Kin Ho,
Assistant General Manager
(Engineering)

Toh Ko Lin,
Senior General Manager
(Commercial)

Dr Arun Kr Dev,
Deputy General Manager
(Technical)



Research & development

From left:

Dr Foo Kok Seng,
General Manager,
Offshore Technology
Development

Dr Arun Kr Dev,
General Manager,
Marine Technology
Development

Aziz Amirali Merchant,
General Manager
(Group Design & Engineering),
Keppel Offshore & Marine;
and General Manager,
Deepwater Technology Group

Charles Foo,
Director, Keppel O&M
Technology Centre



Overseas Operational Centres

Keppel AmFELS Inc
Ho Cheok Yuen
President &
Chief Executive Officer

Tan Geok Seng
Executive Vice President

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
Tay Kim Hock
President &
Chief Executive Officer

Daniel Chang
Deputy President

Tommy Sam
Chief Financial Officer

Alceu Mariano
Institutional Relations Director

BrasFELS SA
Gilberto Israel
President

Keppel Verolme BV
Harold Linssen
Managing Director

Jerald Lee
Chief Financial Officer

Arab Heavy Industries PJSC
Leong Yew Kong
Managing Director

Chan Lim Hong
General Manager

Tang Yang Nang
Finance &
Administration Manager

Keppel Philippines Marine Inc
Toh Ko Lin
President

Agnes Barbara L Lorenzo
Vice President
(Administration & Finance)

Keppel Batangas Shipyard
Kok Boon Heng
President

Barry Chia
Vice President (Operations)

Hilarion A Ocampo
Yard Manager (Works)

Ramon M Cornelia
Yard Manager (Shipbuilding)

Keppel Cebu Shipyard Inc
Fok Swee Yin
President

Ben Goh
Vice President (Operations)

Ng Teck Mong
Vice President
(Administration & Finance)

Subic Shipyard & Engineering, Inc
Charles Yap
President

Richard Leong
Yard Manager

Roderick Tan
Financial Controller

Caspian Shipyard Company Ltd

Yan Naing Myint

President (w.e.f. 1 April 2007)

Bill Kee

President (up to 31 March 2007)
Advisor

Lawrence Quah

Chief Financial Officer

Lim Ah Beng

Vice President (Operations)

Lau Kuat Pin

Vice President (Technical)

Liew Yuen Cheng

Commercial Manager

Keppel Kazakhstan LLP

Yick Ping Wong

Executive Director
(Keppel O&M, Caspian)

Anil Kumar Sultan

Executive Vice President

Kenneth Long

Chief Financial Officer

Venera Nurmukhametova

PA to Executive Director/
Head of Administrative Dept

Keppel Norway AS

Inge Oliversen

President

Gunnar Larsen

Chief Financial Officer

Keppel Nantong Shipyard Company Limited

Lee Tai Kwee

President

Wong Wei Kei

Vice President
(Finance & Administration)

Regency Steel Japan

Dr Yip Hee Yan

President

Hatano Shigeyuki

Chief Operating Officer

Engineering/ Technology Centres

Keppel Offshore & Marine Technology Centre Pte Ltd

Charles Foo

Director

Keppel Offshore & Marine USA Inc

Chow Yew Yuen

President

John Purvis

Vice President (Technology)

Offshore Technology Development Pte Ltd

Dr Foo Kok Seng

General Manager

Deepwater Technology Group Pte Ltd

Aziz Amirali Merchant

General Manager

Marine Technology Development Pte Ltd

Dr Arun Kr Dev

General Manager

FloaTEC, LLC

Eric H Namtvedt

President

Offshore Innovative Solutions, LLC

Richard Michel

President

Cheung Tak On

Vice President

Keppel FELS Baltech Ltd

Lyudmil Stoev

General Manager

Keppel FELS Engineering Shenzhen Co., Ltd.

Ho Jong Heng

General Manager

Chong Woei Siong

Assistant General Manager

Keppel FELS Offshore & Engineering Services Mumbai Pvt Ltd

Anant Keshav Shukla

General Manager

Joseph Mathew

Engineering Manager

Representative Offices

Keppel Marine Agencies Inc

Michael Holcomb

President/Director (Texas)

John J Bajor

Director (New Jersey)

Keppel FELS Ltd (Vietnam office)

Henry Sng

Manager

Keppel Prince Engineering Pty Ltd

Charles Chiam

Director

Services

Asian Lift Pte Ltd

John Chua

General Manager

Keppel Smit

Towage Pte Ltd

Ben Chew

General Manager

Employee Unions

Keppel Employees Union

Mohamed Yusop Bin Mansor

President

Phang Weng Onn

General Secretary

Keppel FELS Employees Union

Yap Huat Hin

President

Atyyah Hassan

General Secretary

Shipbuilding & Marine Engineering Employees Union

Wong Weng Ong

President

Lim Chin Siew

Executive Secretary

Overseas managers

From left:

Chow Yew Yuen,
Keppel Offshore & Marine USA

Harold Linssen,
Keppel Verolme

Toh Ko Lin,
Keppel Philippines Marine

Ho Cheok Yuen,
Keppel AmFELS

Bill Kee,
Caspian Shipyard Company

Tay Kim Hock (*front*),
Keppel FELS Brasil

Michael Holcomb,
Keppel Marine Agencies (Texas)

Leong Yew Kong,
Arab Heavy Industries



From left:

Yan Naing Myint,
Caspian Shipyard Company

Charles Yap,
Subic Shipyard & Engineering

Inge Oliverson,
Keppel Norway

Lee Tai Kwee,
Keppel Nantong Shipyard

Dr Yip Hee Yan,
Regency Steel Japan

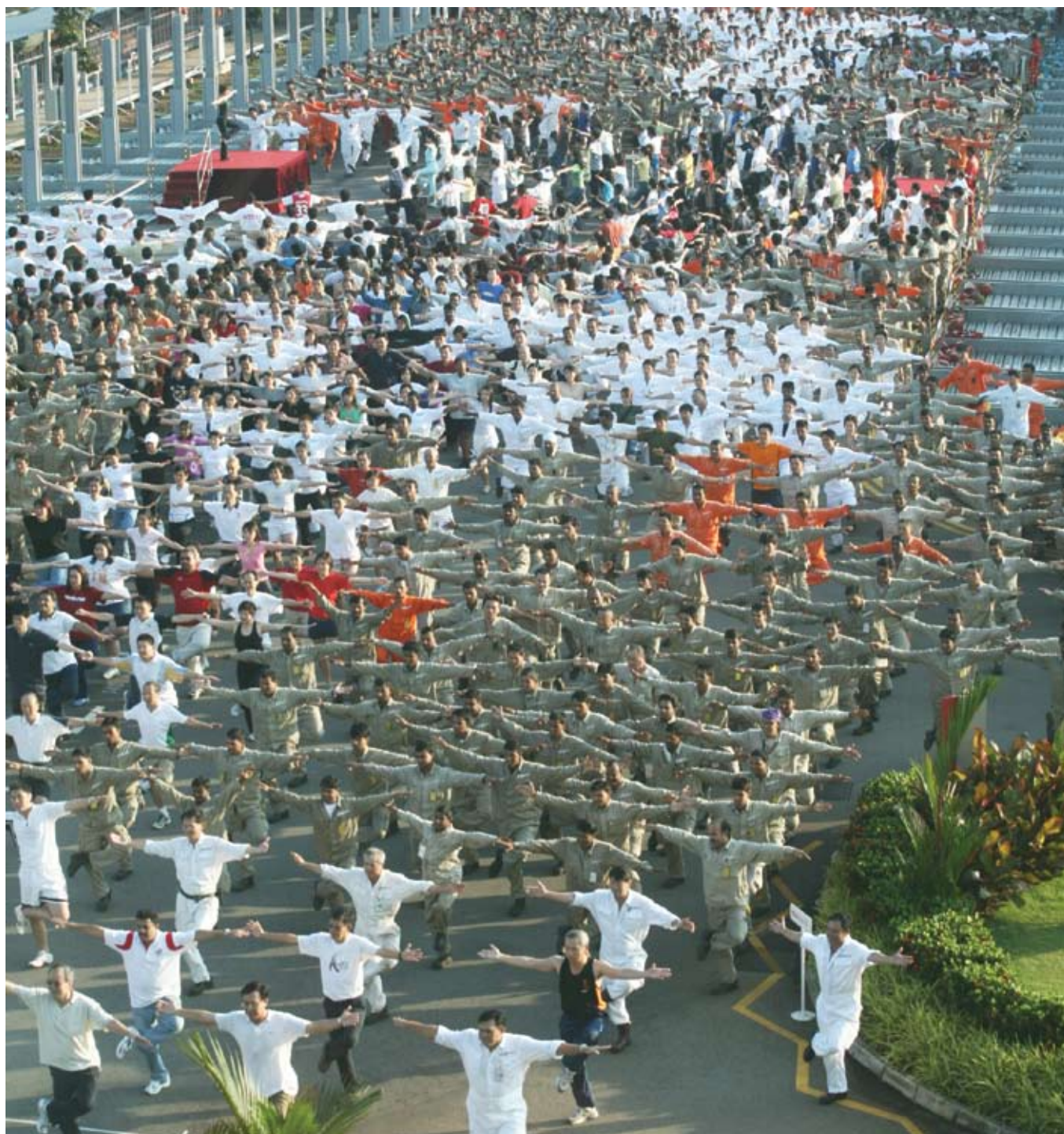
Yick Ping Wong,
Keppel Kazakhstan

John J Bajor,
Keppel Marine Agencies
(New Jersey)

Kok Boon Heng,
Keppel Batangas Shipyard



Nurturing people
Our aim is to be an employer of choice, steadily building a formidable workforce.





At its peak, "The Peak" attracted nearly one million viewers.

Keppel Offshore & Marine (Keppel O&M) has become a global company within a short span of five years. We have to enlarge and develop our pool of talents rapidly while setting systems in place for effective management of our worldwide operations.

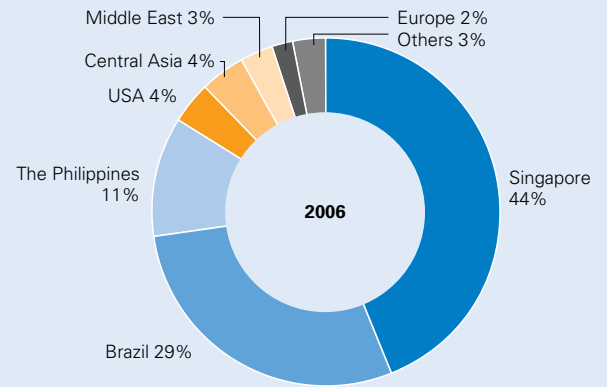
This calls for innovative programmes in attracting, recruiting, developing, retaining and motivating people. In developing our people, the main challenge is empowering them to adopt a global mindset and sending them overseas. We also train local talents to replicate our excellent shipyard operations and to embrace our innovative and *Can Do!* attitude.

Group investment in training and development was S\$17 million in 2006. In Singapore, we invested a total of S\$11 million to equip our people for better work performance, compared to S\$3.6 million in 2005.

As we pursue our goal in becoming a learning organisation, Management is supportive of offering scholarships and study grants to encourage further education and skill development. In Singapore, 54 scholarships were awarded, of which 28 were given to existing employees. This complements our strong management trainee programme.

The Keppel Apprenticeship Scheme, aimed at grooming tradesmen, is gaining momentum in our overseas yards. The Scheme serves as an entry-level skill development programme and as a corporate social responsibility

Manpower distribution by country



programme to improve employability of the local communities where we operate.

In all, our global direct workforce is 24,613 in 2006 compared to 19,638 in 2005. (See manpower distribution by country)

Singapore

Attraction and recruitment

In 2006, Keppel O&M and our parent Keppel Corporation undertook the task of changing public perception of the offshore and marine industry through the "Grow Beyond" advertising campaign and "The Peak", a MediaCorp television serial. "The Peak" was sponsored by Keppel, the Maritime and Port Authority of Singapore (MPA), the Singapore Maritime Foundation (SMF), the Association of Singapore Marine Industries (ASMI), and other industry players.

These initiatives proved to be solid recruitment aids. There is greater awareness of our key businesses and an encouraging number of job applications.

We collaborated with the National University of Singapore (NUS) to introduce the Keppel O&M Offshore Oil & Gas Technology Specialisation Undergraduate Scholarship in 2006. In its inaugural run, we awarded the scholarship to three outstanding students from the Mechanical Engineering Department.



Keppel Shipyard's employees attended a two-day team-building programme in Bintan aimed to boost camaraderie and team spirit.

Additionally, we awarded two Keppel Group Scholarships, nine ASMI Marine & Offshore Undergraduate (ASMI-MOU) Scholarships, six ASMI Scholarships, five ASMI Marine & Offshore Technology (ASMI-MOT) Scholarships and one ASMI Marine Engineering (ASMI-ME) Scholarship.

We embarked on a "University Outreach Programme" in 2006, targeting the top 20% of the engineering cohort at NUS and Nanyang Technological University (NTU).

Other recruitment efforts included the NTU Networking Night, in which Keppel O&M was platinum sponsor, on 21 September 2006.

The Super V programme attracted good response from Singaporeans to join Keppel yards in 2006. It is a joint effort by ASMI, the Workforce Development Agency (WDA) and the National Trades Union Congress (NTUC) to build up a steady and long-term pool of local supervisors for the marine industry.

Development

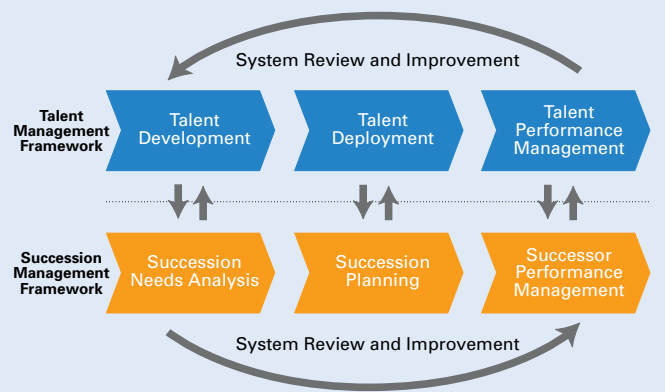
Overall in 2006, the number of learning hours per employee was 107, up from an average of 48 hours in the previous year. This was due mainly to new initiatives launched to strengthen our development and retention of employees.

A new nine to 11 weeks full-time training-cum-orientation programme in the form of modular training was launched for



The MBTI workshop enables participants to understand their personality types and develop their leadership potential.

Systematic approach to talent management



our management trainees. This was complemented by a Mentoring Scheme to help new employees assimilate the Keppel culture. A total of 309 new senior staff attended the orientation programme with 127 mentors appointed.

A training roadmap was launched at the beginning of 2006 to increase the skills and educational level of our employees. More than 1,000 workers have completed the Basic Core Skills Level One training and 69 foremen and supervisors are currently studying to get National Institute of Technical Education Certificates. Other courses for workers included English coaching classes as well as Safety Leadership training, both of which are part of Keppel Shipyard's Safety Strategic Thrust.

Other key training initiatives held in 2006 included various Kepner Tregoe programmes covering project management, process leader training and foreman development work sessions. These programmes enhance productivity and improve work processes at the production floor level.

The integration of our ongoing Talent Management Framework (TMF) and Succession Management Framework (SMF) ensures that we have a systematic approach to groom talented employees to take on greater responsibilities. Courses conducted for senior executives under this framework included the Meyer-Briggs Type Indicator (MBTI) workshop, a three-day "Management Competencies for High Performance" seminar and a series of Management Development Programmes and Leadership Development Programmes.

Feedback from employees

During the year, we carried out our second Organisational Climate Survey (OCS) for the Singapore employees to seek their feedback. Management plans to roll out the OCS Group-wide to engage our employees worldwide.

A tool in our journey towards becoming an Employer of Choice, the Survey enables Management to pinpoint employee concerns and identify areas for improvement.

Developed in-house, the Survey measured 13 aspects of the organisation. It had a larger sample size of 1,300 against 1,000 in 2005, and received an improved response rate of 76% compared to 72% in the previous year.

Overall, scores for all 13 areas were well above the neutral score of 3.5. The categories "Safety and Environment" and "Employee Engagement" scored the highest at 4.84 and 4.74 out of 6 points, while "Health & Work-Life Balance" was 3.92.

Retention

Resignation rate at Keppel remained consistently below the national average for the last three years. A total of 277 employees received their Long Service Awards in 2006, a further testimony to staff loyalty and dedication.

However, with the current tight employment situation in the industry, there is a need to develop creative schemes to retain staff.

Keppel O&M has launched an EVA-based Incentive Scheme (EBIS) to align employees with the company's Economic Value Added (EVA) targets. Part of the employee's EVA earnings is kept in a bonus bank account in the name of the employee.



Employees nominate their colleagues for the Best Employee Stellar Award. The award recognises those who embrace the Core Values.

Areas covered under the Organisational Climate Survey

1. Organisation Culture and Values
2. Work Environment
3. Management – General
4. Management-Employee Relations
5. Attitude, Motivation and Morale
6. Human Resources Issues
7. Training and Development
8. Internal Communication
9. Recognition and Job Performance
10. Safety and Environment
11. Health and Work-Life Balance
12. Management-Union Relations
13. Employee Engagement

The Keppel O&M Best Employee Stellar (BEST) Award was introduced to publicly recognise employees' exemplary contributions to the Group. Chairman and CEO Mr Choo Chiau Beng and Managing Director and COO Mr Tong Chong Heong presented 44 Keppelites with the BEST Award during the official unveiling ceremony of Keppel O&M Core Values icons on 6 November 2006.

Employee wellness

Employee wellness is a top priority at Keppel O&M. We held talks on various illnesses during the year. The National Kidney Foundation conducted a free screening for workers at Keppel Shipyard and activities like Stress Buster Week and Weight Management Awareness Week were held. Moreover, fruits were distributed throughout the year to promote healthy



Keppel Batangas has an in-house training programme which educates future offshore and marine personnel.

eating among employees and the annual A.C.T.I.V.E. Day was celebrated with gusto by all at Keppel O&M.

Industrial relations

Keppel has maintained warm and cordial relationships with government bodies and unions through the years for issues to be resolved effectively.

Management and the Union collaborated to start the Keppel Employees Union (KEU) Bursary in the 1970s. The Bursary, now an annual event, presented grants to 33 deserving children in December 2006.

Keppel O&M shared its annual family fun with two very special groups of people – children from Keppel’s adopted charity, Association for Persons with Special Needs (APSN), and the families of our employees. The strong relationship enjoyed by Keppel O&M and the unions was visible in the huge turn out on Family Day. Some 14,000 Keppelites and their loved ones turned up at Sentosa for a day of fun and frolic.

Overseas

Elsewhere in Keppel O&M’s operations, our Keppel Apprenticeship Scheme has been augmented or introduced with good results achieved.

These programmes have been carried out in various forms involving Keppel’s own in-house training schools in partnership with local trade and educational institutions.



Caspian Shipyard places a strong emphasis on staff training.

The programmes were created to train new recruits for the various trades required as well as to enhance employability for the local community.

Apart from the Apprenticeship Scheme, Keppel AmFELS in the USA also offered scholarships to engineering undergraduates in local universities such as the University of Texas at Brownsville (UTB).

In Brazil, Keppel FELS Brasil co-designed a programme with customer Petróleo Brasileiro S.A. (Petrobras) to reduce illiteracy and increase the educational level of workers. The company also focused on developing the foremen’s managerial skills.

Keppel Cebu in the Philippines engaged workers in feedback to address concerns and improve work processes. It recognised exemplary employees with “Best Foreman”, “Best Supervisor” and “Best Worker” awards.

Caspian Shipyard Company continued to train its workers to take on more sophisticated work.

A greenfield operation, Keppel Kazakhstan is sending university graduates from the country to Singapore to join the Management Trainee Scheme in Keppel FELS. After the programme, the trainees will join Keppel Kazakhstan.

Core values

Our core values underpin our collective strength and commitment to grow beyond today.



Images of hands are used to represent Keppel O&M's core values. As icons, they can be easily understood and internalised by staff worldwide. The icons will also be rolled out to the overseas offices with the aid of an Overseas Roll Out Implementation Kit.



Keppel Offshore & Marine (Keppel O&M) is a multi-national organisation with a total workforce of around 25,000 people, coming from more than 40 nations, speaking some 100 languages and dialects.

One of our major challenges is aligning all our global operations to produce the same Keppel brand equity of timely and within budget deliveries. We have to communicate and motivate our people to embrace a common set of core values that can drive such results.

Communicating the core values icons

On 6 November 2006, we unveiled the Group's core values in the form of hand icons that can be internationally recognised and accurately interpreted regardless of colour, creed and culture. The core values were first introduced in 2003. They have been part of the corporate fabric for many years driving our success. In 2006, we translated these values into hand icons.

"Hands" are internationally recognised to symbolise harmony, productivity, unity and strength. Therefore, images of hands are used to represent Keppel O&M's core values. Our good business and interpersonal

relationships are key to our current success. Moreover, manual and specialised manpower make up the foundation of the Group's businesses, thus making "Hands" visually and psychologically important symbols.

The slogan "Strong Values, Strong Results" was coined to reinforce the message.

Many different tools are used to ensure that the core values are imbibed by employees. VCDs, accompanied by messages from Chairman and CEO Mr Choo Chiau Beng and Managing Director and COO Mr Tong Chong Heong, were distributed to officers. In addition, core values posters, mouse-pads, pocket-sized jogger cards were given out to staff to encourage them to embrace these values.

Views of employees

We commissioned an Employee Opinion Survey to elicit feedback from employees. Conducted between November and December, the survey showed that more than 96% of the respondents felt that the "Hands" icons for the core values was a good idea. The respondents also felt that the icons were easy to relate to and understand. Most importantly, they were proud of the core values icons.

Special feature

Technology and innovation

Sustaining growth through technology and innovation.

52	Innovative designs
56	Engineering capability
59	Building blocks
60	Comprehensive solutions



At Keppel, innovation and the need to adapt is becoming a way of life. Technology innovation is vital to sustain and further the Group's long-term growth.

To succeed in meeting the needs of the marketplace, and to enable us to grow beyond, we are committed to invest in the research, design and development of products and processes in our businesses.

Our financial strength and business leadership have placed us in a solid position to invest and increase our capability and resources in research and development (R&D). To this end, we are setting up the Keppel Offshore & Marine Technology Centre.

We will carry out investments in the centre in a disciplined and prudent manner to maximise returns. Research priorities at this centre will be determined in consultation with line managers to ensure meaningful commercial contributions to the businesses.

Leveraging our core businesses and global network, we collaborate with our business partners, academia and industrial research institutions to exploit innovative technology to develop new products and processes that can deliver robust results.

In deepwater production, we will continue to strengthen our value propositions to operators with our range of proprietary deepwater production solutions. Working in concert with FloaTEC, LLC, our joint venture with J Ray McDermott, we will continue to pursue projects in deepwater production.

Keppel Offshore & Marine Technology Centre

We believe that through technology innovation, we can strengthen our business leadership and unlock value in our core competencies.

We are establishing Keppel Offshore & Marine Technology Centre to manage, stimulate and conduct application R&D, products and process development and technology foresight.

In technology foresight, we aim to build a knowledge base in the sciences of the industry and encourage research of medium to long-term industry trends to determine market requirements.

It will augment and complement the Group's three existing technology business units: Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD), which focuses on design and engineering.

Keppel Offshore & Marine Technology Centre will also collaborate with leading academic and industrial institutions in Singapore and around the world to leverage global expertise and resources. It will also tap the resources and expertise of the Keppel Technology Advisory Panel (KTAP).

Strategy for technology development

Keppel O&M's technology strategy is geared to provide reliable and affordable solutions for customers, with focus on four inter-related aspects:

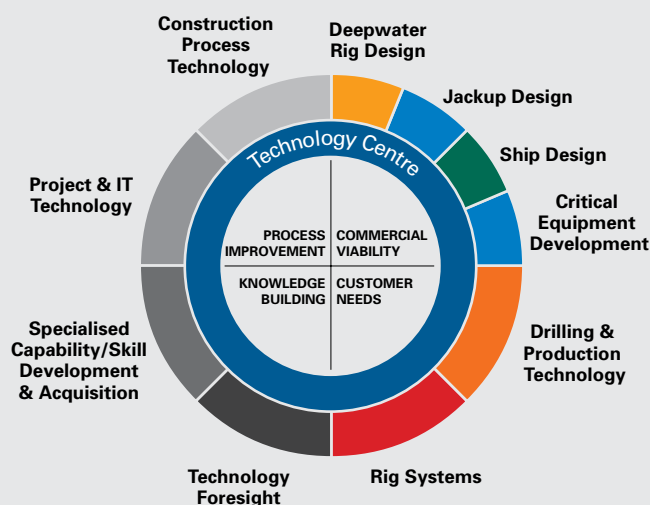
- Commercial Viability – Providing our shipyards with competitive edge by offering proprietary designs of rigs and ships that have been identified to have commercial potential;
- Customer Needs – Adapting, customising and optimising our designs to meet customer requirements;
- Knowledge Building – Developing and acquiring knowledge through technology foresight and market feedback; and
- Process Improvement – Improving our business processes through innovation and efficient use of materials.

This strategy has achieved results for the Group in 2006, with market acceptance of various new product designs. The significant products include:

- the KFELS N Class jackup drilling-cum-production rig created for extreme weather conditions;
- the cost-effective DSS™ 38 ultra-deepwater semisubmersible (semi) drilling rig for the deepwater regions of Brazil, West Africa and the Gulf of Mexico (GOM);
- the high specification DSS™ 51 ultra-deepwater semi drilling rig; and
- an Ice-Class Floating Storage and Offloading (FSO) facility with innovative construction methods.

Keppel Offshore & Marine technology strategy

We believe that our strategy provides a balanced approach towards technological leadership that will sustain us in the long run.



In process development, we took one further step in enhancing our engineering strength. Our Engineering Department has synchronised its Global Engineering Management System (GEMS) with the American Bureau of Shipping's (ABS) 02E web-based system to expedite the review and approval of engineering plans. GEMS is a secure online system which empowers project members to communicate, control and share information across geographic boundaries.

Innovative KFELS N Class for North Sea

First conceived by OTD, the KFELS N Class jackup rig design would be the biggest drilling rig ever to be built by Keppel FELS. It would have the capability to operate in the most demanding climatic conditions of the Norwegian Continental Shelf.

As the design evolved during the product development stage, the potential for the KFELS N Class rig was discovered. With its huge size and capacity for harsh environments, the rig could also be used as a production unit. This potential met the customer's vision to launch an innovative rig for marginal fields in the North Sea. The design was then modified to have the flexibility to accommodate a production module on the rig when required and to carry out drilling and production operations simultaneously.

The modifications required creativity from the engineers of OTD. The main challenge was to ensure that the addition of the production facilities on board the KFELS N Class would not compromise the required environmental ratings

KFELS N Class rig design

Maximum water depth:	400 ft
Maximum wave height:	90 ft
Drilling depth:	35,000 ft
Drilling load:	3,000 kips
Accommodation:	120 crew

The OTD team combines technology innovation with understanding of customer needs to develop the KFELS N Class jackup rig design for new frontier offshore exploration and production requirements.



for the rig. The OTD team was able to re-engineer the design and allow for optimum usage of the production facilities, thus meeting the owner's needs.

Compact DSS™ 38 semi for Brazil

Brazil is today the world's largest deepwater region after the GOM. With its promising hydrocarbons fields under thousands of feet of water, the search for Brazilian oil is largely the province of deepwater rigs. The nation's state-owned oil company, *Petróleo Brasileiro S.A. (Petrobras)*, has been boosting its domestic reserves and production, and is in need of rigs for its drilling programmes.

Recognising this need, DTG has created a fifth-generation deepwater semi, the DSS™ 38, for operation in Brazilian waters. This rig design has been accepted and contracted by Brazilian drilling contractor *Queiroz Galvão Perfurações (QGP)*, which has secured a seven-year drilling contract with *Petrobras*. To be built by Keppel FELS, the rig is due for delivery in the third quarter of 2009. QGP will supply the drilling and subsea equipment while Keppel FELS undertakes the design, engineering and construction of the hull and supplies the marine equipment.

This cost-effective DSS™ 38 design is a derivative of the DSS™ 20, DSS™ 21 and DSS™ 51 designs, all co-designed by Keppel DTG and Marine Structure Consultants (MSC). It is a compact unit with enhanced deck load capacity, layout and good station-keeping capability. Apart from the Brazilian deepwaters, it is also suitable for West Africa and the GOM.



MSC – DTG DSS™ 38 rig design

Deck size:	66.5 m x 66.5 m
Displacement:	39,000 MT
Maximum water depth:	9,000 ft
Drilling depth:	30,000 ft
Total variable load:	5,500 tonnes
Derrick/travel block:	2 million tonnes each
Accommodation:	130 crew
Class:	ABS DP 2 with 8 X 3,000 kW thrusters

MSC – DTG DSS™ 51 rig design

Deck size:	78.5 m x 78.0 m
Displacement:	53,500 MT
Maximum water depth:	10,000 ft
Drilling depth:	30,000 ft
Total payload:	13,500 tonnes
Derrick/travel block:	2 million tonnes each
Accommodation:	180 crew
Class:	ABS DP 2 with 8 X 3,000 kW thrusters



MTD team and customer at work on the design of the FSO.

Principal dimensions of FSO

Length overall:	132.8 m
Breadth overall:	32.0 m
Depth:	15.7 m
Max. operating draft:	10.0 m
Crude oil capacity:	6,500 tonnes/day
Max cargo offloading:	1,500 m ³ /hr
Min cargo oil temperature:	+10°C
Accommodation:	32 crew
Class:	ABS +A1, FSO +AMCCU, C0

High specification DSS™ 51 semi for GSF

The new DSS™ 51 design has been chosen by GlobalSantaFe (GSF) after extensive evaluation. One unit, the *Development Driller III*, is currently under construction at Keppel FELS.

GSF picked this rig design for the high variable deck load of 8,500 tonnes, superior motion characteristics of the hull, high power generation capacity, increased safety features and ability to meet the 100-year storm specification in the GOM.

GSF will supply the drilling and subsea equipment while Keppel FELS undertakes the design, engineering and construction of the hull and provides marine equipment. It is due for delivery in early 2009.

The rig is suitable for operation offshore Brazil, the GOM, West Africa and Southeast Asia.

Singapore's first FSO design for LUKOIL

In 2006, MTD succeeded in designing a 28,000-deadweight tonne (DWT) Ice-Class Floating Storage and Offloading facility (FSO) for LUKOIL-Nizhnevolskneft. The vessel will be deployed in the Yuri Korchagin Field in the Russian sector of the Caspian Sea. This MTD 13028FSO-IC design will be the first FSO to be built here in Singapore.

The FSO had to be built such that its two longitudinal hull strips could be towed through the famous but narrow Volgo-Donskoy canal which has strict restrictions on length, breadth and draft including the air draft.

Our "Near Market, Near Customer" strategy scored another success for the Group when the owner agreed to have the two strips of hull mated and joined at Keppel's Caspian Shipyard Company (CSC) in Baku, Azerbaijan.

When completed in 2009, the FSO will be moored in an area with 60-cm thick ice and water depth of 20.5 m. It has to withstand a maximum 2-minute average wind speed of 40.6 m/sec, wave height of 8.8 m with a corresponding wave



period of 9.0 sec and surface currents of 1.84 m/sec. The air temperature ranges from -20°C to +30°C with minimum water temperature of 0°C.

Increased productivity with GEMS and the ABS 02E system

GEMS is a powerful tool that allows our engineers to work on a common web-based platform across geographic boundaries, without compromising security. Its features were enhanced when we synchronised it with the ABS 02E electronic plan review system.

Our engineers can now release drawings directly to ABS plan review engineers through a collaboration link and the plans flow between the two parties as if each were logging in and downloading from the other's websites.

The sovereignty and integrity of the individual systems are maintained. Governance has improved with the automatic management and control of electronic copies of reviews, responses and stamped approved drawings.

The collaboration also resulted in faster review and approval of drawings leading to better customer service and improved productivity.



In the Jacuecanga Channel: Hauling the P-52 deck box to site for mating with the lower hull.

The construction of the Petrobras P-52 is a project management showcase, an engineering triumph and a testament to teamwork. One of the world's largest floating production units (FPU), the P-52, was to be built in various different locations and be assembled afloat in Brazil.

Mating the P-52

The contract between Keppel FELS/Technip consortium and Petrobras for the project was inked in December 2003 in the presence of the Brazilian President, Luiz Inácio Lula da Silva.

Keppel FELS in Singapore was to perform the detailed engineering and construction of the lower hull. Module construction was distributed among several sites in Brazil's Rio de Janeiro and Niteroi. The accommodation module, made entirely from aluminium, and the deck box, which houses all of the modules, were to be built at Keppel's BrasFELS shipyard, in Angra dos Reis.

P-52 FPU

Client:	Petrobras
Length:	125 m
Breadth:	110 m
Height:	101 m
Displacement:	80,000 tonnes
Mooring Lines:	16
Oil Production Capacity:	180,000 bopd
Gas Compression Capacity:	9,300,000 Sm ³ /d
Classification:	DNV
Field:	Roncador, Brazil
Water Depth:	1,800 m



In Singapore



1 Undocking the two "C" sections of the lower hull pontoon.



2 Joining the two "C" sections using the cofferdam method.



3 Installing the columns to form the lower hull using a huge floating crane.

Breaking the 80-metre barrier

At Keppel FELS, the lower hull pontoon could only be built in the Admiral drydock. However, the 80-metre wide drydock was too short for the 89-metre wide lower hull pontoon. The team overcame the constraints by constructing the pontoon in two "C" sections in the drydock. When ready, they floated out the two "Cs" and connected the sections using the cofferdam method. The columns were then installed with the help of a 3,200 tonnes floating crane. The entire construction period was 22 months.

The completed lower hull set sail from Singapore to Brazil in February 2006.

Protecting the environment

Just as *P-52* was making its way to Brazil, BrasFELS began dredging the Jacuecanga Channel in preparation for the next challenging task in the construction of the FPSO.

This came after two years of hard work by Keppel FELS Brasil. They actively engaged the community and demonstrated to the government that the pristine waters and the sea life of the holiday resort of Angra dos Reis will not be affected by the dredging operation.

Mammoth mating at high sea

By June 2006, three months after the arrival of the 17,500 tonnes lower hull of *P-52* in Brazil, the consortium of Keppel FELS, Keppel FELS Brasil and Technip had more reasons to cheer.



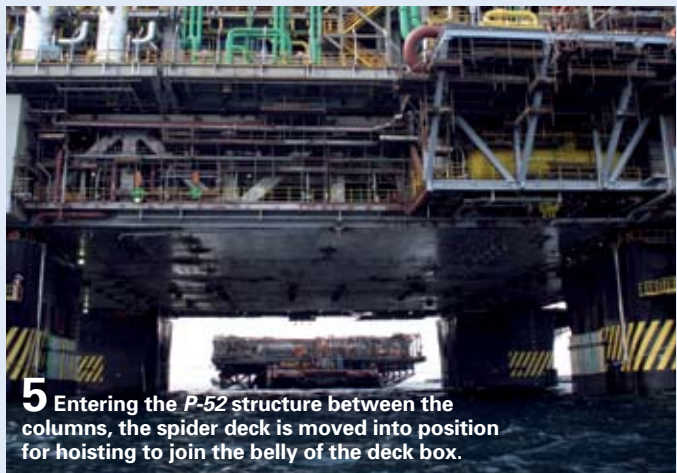
1 Towing the lower hull out for mating with the upper deck in the Jacuecanga Channel.



4 Carrying the spider deck for mating with the deck box.



2 Submerging the lower hull until only the four upper ends of the columns are above water. Towing the deck box towards the submerged hull.



5 Entering the P-52 structure between the columns, the spider deck is moved into position for hoisting to join the belly of the deck box.



3 Positioning the deck box above the submerged lower hull.



6 Mating of lower hull with the topside of the P-52 completed.

They completed the complex, and relatively rare, mating of a 25,000-tonne topside module and 4,500-tonne spider deck with the lower hull structure at BrasFELS yard.

The process saw the hull anchored and submerged to a depth of 40 metres in the Jacuecanga Channel near BrasFELS yard. The topside deck box was then positioned between the hull columns via the barge upon which it was built, with only a clearance of 1.5 metres between it and the hull columns.

Next, the spider deck sections were brought into place on barges and connected to the deck box which involved

a process of ballasting the hull to lower it before deballasting to raise the spider deck sections off their respective barges.

The rig consists largely of the hull, which remains partially submerged when it is operating in the oilfield, the deck box, processing modules, modules for energy generation, gas compression, accommodation and utilities and the helideck and recreational facilities.

The next milestone for the P-52 team is the hook-up of the unit in the Roncador Field in the Campos Basin. The platform is expected to begin production in the latter part of 2007.



Participants of the Deepwater Development Workshop.



Keppel Offshore & Marine Lecture 2006.

The Group continues to keep abreast of the latest technology and innovations.

Chua Chor Teck Memorial Lecture held on 24 January 2006 and co-organised with Naval Architects & Marine Engineers (SNAMES). Mr Charles Foo, Managing Director (Special Projects) of Keppel O&M, delivered the 20th lecture on the growth of the marine industry in the last 50 years.

An annual event, the Chua Chor Teck Memorial Lecture is held in remembrance of the late Mr Chua Chor Teck, one of the pioneers of Singapore's marine industry. He was instrumental in building Keppel into a multi-billion dollar group with wide interests.

Lecture on Offshore Deepwater at the National University of Singapore (NUS) on 24 March 2006. Mr Aziz Merchant, head of DTG, delivered a lecture on "Offshore Deepwater: Deep and Getting Deeper – The Future of Deepwater Development & Singapore Inc Contribution". The lecture discussed the trend of deepwater technology, with lessons learned from the latest hurricanes in the GOM and other accidents.

Deepwater Development Workshop organised by the Centre of Offshore Research and Engineering (CORE) NUS from 9 to 11 October 2006. Southeast Asia has potential oil resources comparable with the potential in the GOM,

according to the paper *WoodMackenzie–Robertson: Future of Deepwater, 2004*. Exploration of this region is principally in the deepwater domain. DTG presented a paper entitled "Semisubmersible Design and Construction".

Keppel Offshore & Marine Lecture 2006 held on 16 November at NUS. In its fourth run, the lecture entitled "Floating Production Systems for Oil and Gas in Harsh Environments" was given by Prof Torgeir Moan, Director of Centre for Ships and Ocean Structures, Norwegian University of Science and Technology, Norway. Prof Moan is also the first Keppel Professor. Jointly organised by NUS and Keppel O&M under the auspices of the Keppel Professorship as a forum of exchange between academia and industry, the Lecture was given to a full house.

Jackup Asia Conference & Exhibition 2006 held on 7 and 8 December 2006. OTD presented a paper entitled "Effective Use of a Rapid Penetration Management System to Minimise Risk". The paper was written in collaboration with ENSCO. The case studies demonstrated that the risks associated with jackup installation at punch-through sensitive sites can be reduced considerably with proper site analysis and planning.

Lectures and workshop organised by CORE under the Keppel Professorship programme in 2006. Since its inception four years ago, the Keppel Professorship has been very active in broadening and deepening the knowledge base of the industry through its short courses.



1



AKKU 2

2

3



KST Sedna

4



HA-KU-S

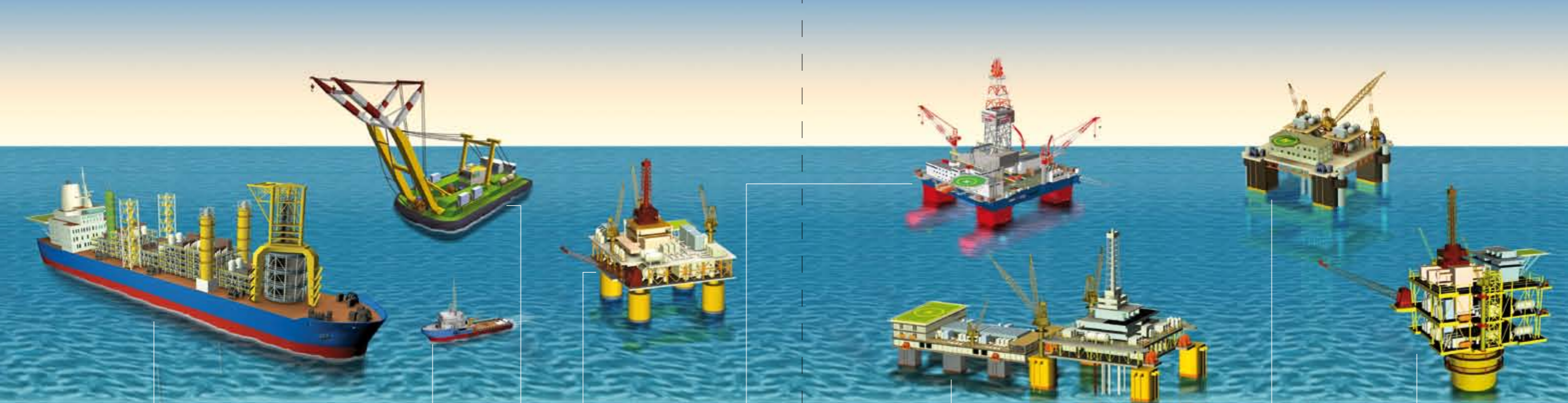
5



Raissa



SeaDrill 3



6



Bourbon Artemis

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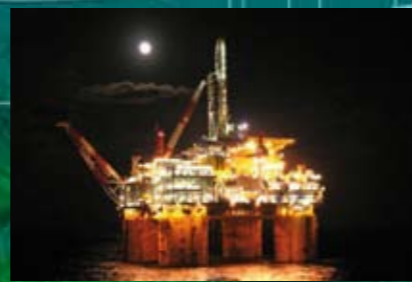


ABB Magnolia



West Berani



P-52



FPSO Polvo



Asian Hercules II



Ocean Endeavor



Safe Concordia



Keppel O&M has a comprehensive package 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
 - Under construction: Four transportation barges for Agip KCO

3 Harbour Tug

- A small powerful boat assisting ships in docking, tying up to the piers, and for departure.
 - Latest deliveries: *KST Sky* (2005), *KST Sedna* (2006), *KST Sirius* (2006)

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 environment like the North Sea.
 - Latest delivery: *ENSCO 102* (2002)
 - 6 units in operation for the KFELS MOD VI and A Class
- KFELS B Class for worldwide operation
 - 13 units in operation
 - Latest deliveries: *SeaDrill 3* (2006), *Al-Khor* (2006), *PV DRILLING I* (2007)
- KFELS Super B Class
 - Latest deliveries: *Deep Driller 2* (2006), *Deep Driller 3* (2006)
- KFELS N Class
 - Under construction: Two KFELS N Class rigs (2010)

5 Fixed Platform (100 – 1,300 ft)

- Accommodation platforms
 - Latest deliveries: *HA-KU-M* and *HA-KU-S* platforms (2006)

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 60 FPSO and FSO units converted and repaired by Keppel Shipyard
 - Latest deliveries: *FPSO Alvheim* (2006), *FPSO Capixaba* (2006), *FPSO Polvo* (2007), *Umuroa* (2007)
 - Under conversion: *P-53* (2007)

7 Anchor Handling Tug/Supply Vessel

- Offshore support vessel
- Emergency stand-by/rescue and oil recovery vessel
- Off-Ship fire fighting
 - Latest deliveries: *M.V. Svetlyy* (2006), *Bourbon Artemis* (2006), *Smit Nicobar* (2006)

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
 - Latest deliveries: *ABB 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
 - Latest delivery: *Maersk Explorer* (2003)
 - Under construction: 8 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 Setia* (2005), *West Berani* (2006)

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

- Design: KFELS SSAU™ 3600
 - Latest delivery: *Safe Concordia* (2005)

12 Semisubmersible FPU (up to 10,000 ft)

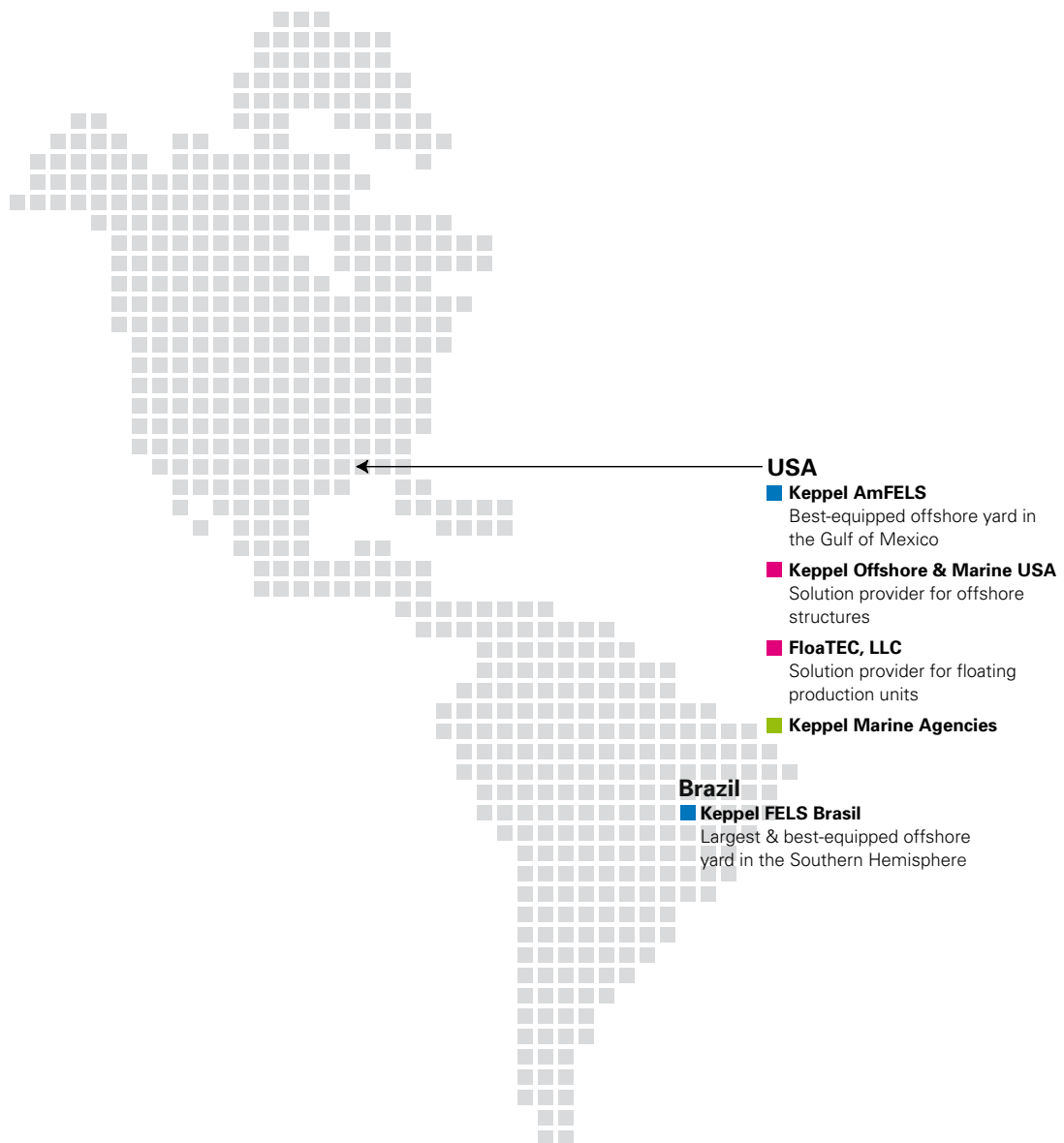
- Latest design: DeepDraft Semi
 - Completed projects: *P-18* (1993), *P-27* (1998)
 - Under construction: *P-52* (2007), *P-51* (2008)

13 SPAR (up to 8,000 ft)

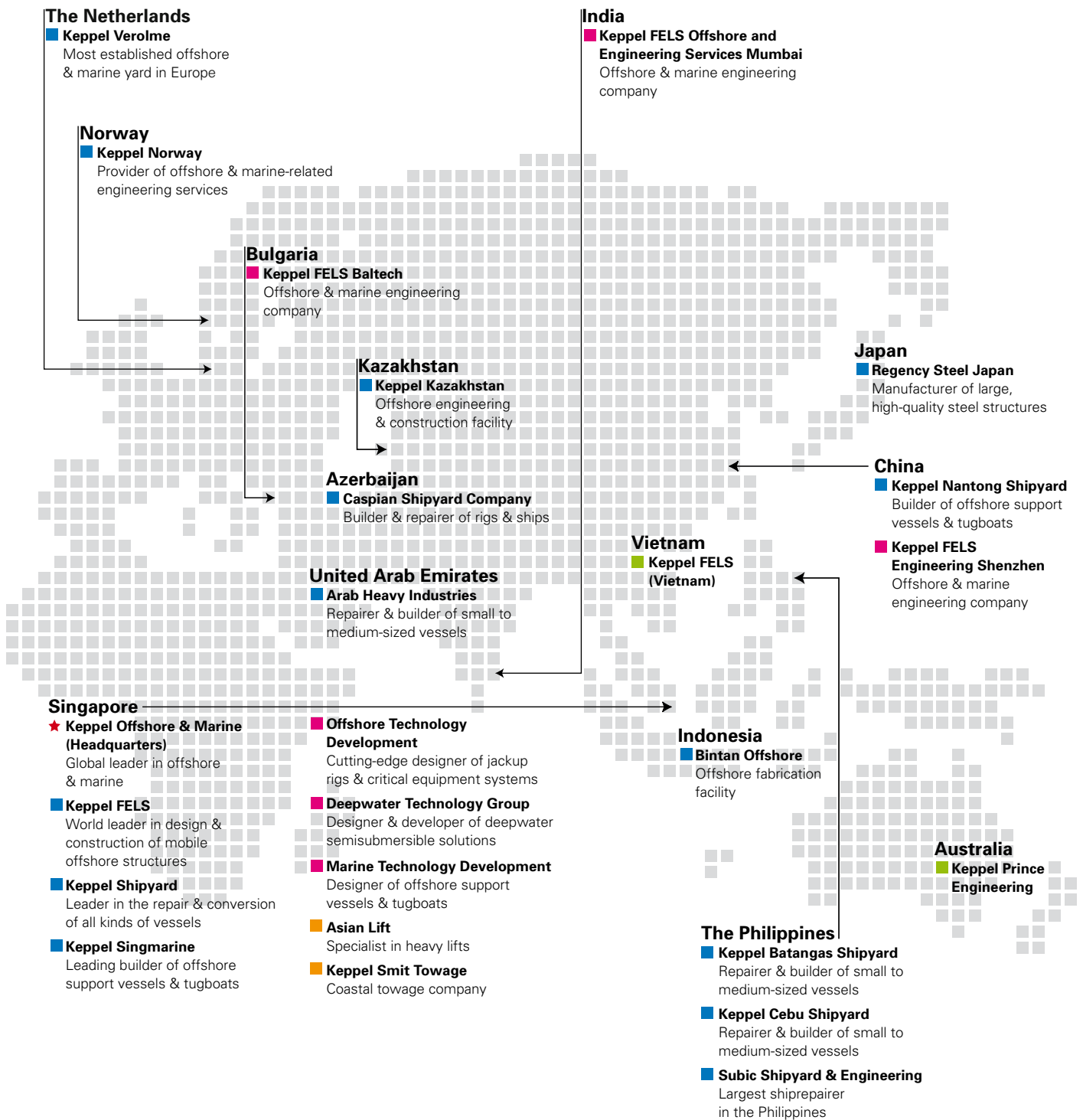
- Large cylinder supporting a typical rig platform, among the largest offshore structures. Uses cables and chains to anchor rig to seafloor

Global network

Our “Near Market, Near Customer” strategy has enabled us to offer customers unparalleled services.



- ★ Headquarters
- Operational Centres
- Engineering/R&D Centres
- Representative Offices
- Marine Services



Operations review and outlook
Propelled by our sound strategies,
the Group continues to benefit
strongly from the buoyant market.





All the business units of Keppel Offshore & Marine (Keppel O&M) reported record growth in 2006, with strong order books in hand.

Offshore

Keppel FELS

Keppel FELS had another sterling year in 2006, securing a total of 13 newbuilding contracts, of which eight were for the construction of jackups and five were for semisubmersibles (semis). Of the newbuild jackup contracts, seven are of the proprietary KFELS B Class design.

The company secured three contracts for its proprietary deepwater semi designs: a DSS™ 51 for GlobalSantaFe Corporation, a DSS™ 21 for A.P. Møller-Mærsk and a DSS™ 38 for Brazilian drilling contractor Queiroz Galvão Perfurações. The other two semi projects were for ENSCO.

In the conversion and upgrade market, Keppel FELS retained its lead, commencing work on four new semi projects clinched during the year.

Its reputation of delivering on its promises was significantly enhanced by all seven newbuild projects completed on or ahead of time during the year amid an extremely busy schedule with 30 major projects under execution concurrently.

Safety figured strongly during the year, with seven projects attaining two million manhours each without any lost time incidents (LTI) and seven more projects achieving one million

manhours with the same clean record. The Company achieved an accident frequency rate (AFR) of 1.1 and severity frequency rate (SFR) of 28 per million manhours worked in 2006.

Keppel AmFELS

Keppel AmFELS posted a 166% rise in revenue with corresponding improvement in profit by 61% compared to its 2005 results. This good performance is due mainly to more newbuilding projects and strong contributions from repair and upgrade work.

The company successfully delivered 12 projects in 2006, with the completion of two newbuild accommodation platforms for PEMEX and 10 repair and upgrade projects.

Ongoing newbuilding projects in Keppel AmFELS include seven newbuild jackup drilling rigs for Scorpion Drilling, Diamond Offshore, Atwood Oceanics, and a sludge vessel for New York City.

Keppel FELS Brasil

Keppel FELS Brasil achieved significant milestones in 2006 with the challenging and complex mating operations for the P-52 project and the joining of the "C" sections of the lower hull pontoon of the P-51 project in the BrasFELS yard.

The yard also delivered two platform supply vessels, *Mærsk Ventura* and *Mærsk Vega*, to Mærsk Brasil Ltda during the year.

New orders

In 2006, we secured new orders amounting to \$S\$7.3 billion, which was the largest amount in our history. Expected deliveries for these projects will stretch into 2010.

January

- KSM:** Three AHTS vessels for customers in Saudi Arabia, Russia and the Middle East
- KS:** Conversion of the world's first Liquefied Natural Gas (LNG) floating storage and re-gasification unit for Golar LNG
- KFELS:** Second drilling semi capable of operating in water depths of up to 8,500 feet for ENSCO
- KFELS:** Fifth KFELS Super B Class jackup capable of drilling down to 35,000 ft for Sinvest

February

- KAmFELS:** Fifth Le Tourneau (LT) Super 116 jackup drilling rig for Scorpion Offshore
- KS:** Five-year service agreement for the drydocking of LNG carriers chartered by Qatar Liquefied Gas Company

March

- KFELS/KS/KeVe/AHI:** Fast-track upgrading of the semi, *Blackford Dolphin*, for Fred Olsen Energy
- KAmFELS:** LT Super 116 E jackup drilling rig for Atwood Oceanics
- KFELS:** First DSS™ 51 semi co-designed by Deepwater Technology Group (DTG) for GlobalSantaFe
- KS:** Conversion of two FPSO facilities for Prosafe Production
- KFELS:** Third KFELS B Class jackup drilling rig for Awilco Offshore
- KFELS:** Entered the Indian offshore drilling market with a KFELS B Class jackup drilling rig for the Jindal Group
- KFELS:** Second KFELS B Class jackup drilling rig for the Jindal Group
- KFELS:** Fourth KFELS B Class jackup drilling rig for SeaDrill

April

- KFELS:** Upgrading of fourth Victory-class semi, *Ocean Monarch*, for Diamond Offshore
- KFELS:** A KFELS B Class jackup rig for Indian customer, Mercator Lines

May

- KFELS:** Fourth ultra-deepwater semi for Mærsk Contractors
- KS:** Fast-track conversion of an FPSO facility for Mærsk Contractors

June

- KS:** Conversion of the eighth FPSO facility for SBM
- KFELS:** KFELS B Class jackup rig for Great Eastern Shipping, India

July

- KSM:** A 175-tbp ice-breaker and a multi-purpose 100-tbp ice-breaking supply vessel for LUKOIL Oil Company (LUKOIL)

August

- KFELS:** First DSS™ 38 drilling semi co-designed by DTG for Brazilian waters for Queiroz Galvão Perfurações

September

- KFELS:** Third ultra-deepwater semi capable of operating in water of up to 8,500 ft deep for ENSCO

October

- KS:** Conversion of an FPSO facility for both SBM and Frontline
- KSM:** Five AHTS vessels of up to 65 tbp for customers from the Middle East

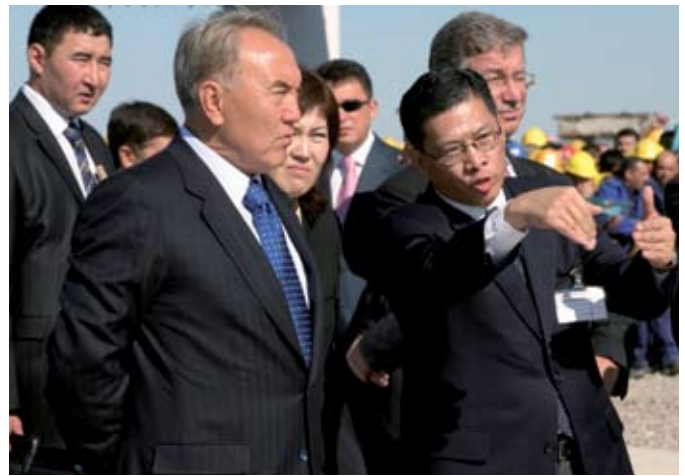
December

- KFELS:** First KFELS N Class drilling-cum-production jackup rig for the Skeie Group
- KSM:** First proprietary design Ice-Class Floating Storage and Offloading (FSO) system for LUKOIL
- KeVe:** World's first concrete heavy lifter from MPU Offshore Lift for the decommissioning market in the North Sea

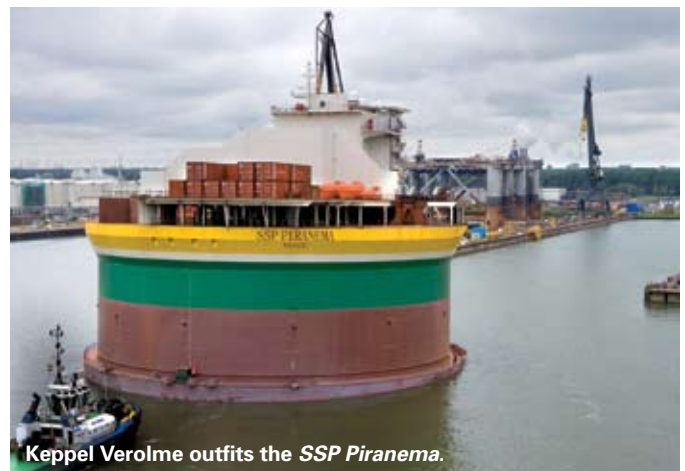
Legend

KFELS – Keppel FELS
KS – Keppel Shipyard
KSM – Keppel Singmarine
KAmFELS – Keppel AmFELS
KeVe – Keppel Verolme
AHI – Arab Heavy Industries

His Excellency, Nursultan A Nazarbayev, President of the Republic of Kazakhstan, witnesses the launch of *AKKU1* with Mr Yick Ping Wong, President of Keppel Kazakhstan.



Keppel AmFELS completes two accommodation platforms for PEMEX.



Keppel Verolme outfits the *SSP Piranema*.

Looking ahead, more construction and conversion of Floating Production Units (FPUs) are expected in 2007 and beyond due to the country's increased activities in deepwater exploration and production (E&P).

Keppel Verolme

Keppel Verolme's revenue for 2006 improved significantly by 83% over the previous year, marking a new record.

Its excellent completion of the world's first circular-shaped Floating Production Storage and Offloading (FPSO) facility, the *SSP Piranema*, reflected the European yard's ability to offer real value for its customers.

The yard also demonstrated its synergy with sister yards in the conversion of the *Blackford Dolphin* for Fred Olsen Energy by undertaking the overall integration of the structure and modules as well as carrying out repair and maintenance work on the semi.

Another first for Keppel Verolme was winning a project to build the world's first concrete heavy lifter for Norway's MPU Offshore Lift AS for the decommissioning market.

Looking ahead, Keppel Verolme's healthy order book will keep the yard busy until early 2009.

Caspian Shipyard Company

Major projects completed by Caspian Shipyard Company (CSC) in 2006 included the supply of skilled labour for the

BP Shah Deniz project and the fabrication of 1,600 tonnes of foundation steel for Agip Kazakhstan North Caspian Operating Company (Agip KCO). Work in progress is the fabrication of piperacks for Agip KCO, which will keep the yard busy till 2008.

CSC has expanded its steel fabrication capacity in anticipation of heavier workload in 2007. With the development of the Kashagan field in the Caspian Sea, CSC is poised to support requirements for piperacks, foundation steel, ice protection structures, transportation barges, cantilevered drill barges as well as Offshore Support Vessels (OSVs).

Keppel Kazakhstan

Keppel Kazakhstan marked a significant milestone in 2006 with the launch of the transportation barge *AKKU1*, built for Agip KCO. The launch of the first offshore vessel ever built in Kazakhstan was graced by His Excellency, Nursultan A Nazarbayev, President of the Republic of Kazakhstan. This vessel is part of a contract for piperacks and four barges to support the first-phase development of the Kashagan oil field.

Ideally located in the Caspian Kazakh Sector, Keppel Kazakhstan works with CSC to realise the full benefits of the Group's "Near Market, Near Customer" strategy in the region.



Keppel Shipyard completes the conversion of FPSO *Capixaba* for long-time customer Single Buoy Moorings (SBM).

Marine and FPSO conversion

Keppel Shipyard

2006 was a record year for Keppel Shipyard with an 84% increase in revenue contributed by better performances in both its shiprepair and FPSO and FSO conversion and upgrading businesses.

For shiprepair, the total revenue earned in 2006 was 27% higher than in 2005 due to higher value jobs. Tankers and container ships remained the main revenue contributors. A total of 319 vessels were repaired in 2006.

Keppel Shipyard's track record of FPSO and FSO conversions, upgrading and repair increased from 54 to 64. By end-2006, 10 FPSO and FSO projects were completed while six FPSO

and FPU conversion projects and one FSO refurbishment were in progress. One FPSO and one Floating Storage and Re-gasification (FSRU) conversion project will start in 2007.

A total of nine Liquefied Natural Gas (LNG) carrier repairs were completed in 2006, including the *Al Wakrah* and *Zekreet*, which were part of the Qatargas LNG fleet repair agreement signed with MO LNG Transport, NYK, and K-Line during the year.

The yard continued to augment its efforts to create a safety culture with the introduction of several new initiatives. It achieved a much-reduced AFR of 0.99 in 2006 compared to 1.21 in 2005 according to the Occupational Safety and Health Administration (OSHA) standards. In March 2007, the conversion of Petrobras' FPU, *P-53*, achieved an impressive six million manhours without LTI.



At the naming ceremony for *SeaDrill 3*, Lady Sponsor Chantal Guy was given a Norwegian welcome.

Our ties with customers in the Middle East rise to a new high with the early delivery of *Al-Khor*, a jackup rig, for Gulf Drilling International.

Keppel Philippines Marine

Keppel Philippines Marine (KPMI) achieved a 34% year-on-year rise in revenue of Pesos 1.95 billion for 2006 due to higher workloads in its shipyards. Shiprepair contributed 60% of the revenue with the rest attributed to shipbuilding/fabrication. Net profit was up 10% from 2005.

During the year, Keppel upped its shareholding in KPMI to 81% interest in the company.

KPMI is well positioned to competitively offer its shipyard services to international and local markets, against the backdrop of the buoyant offshore and marine industry.

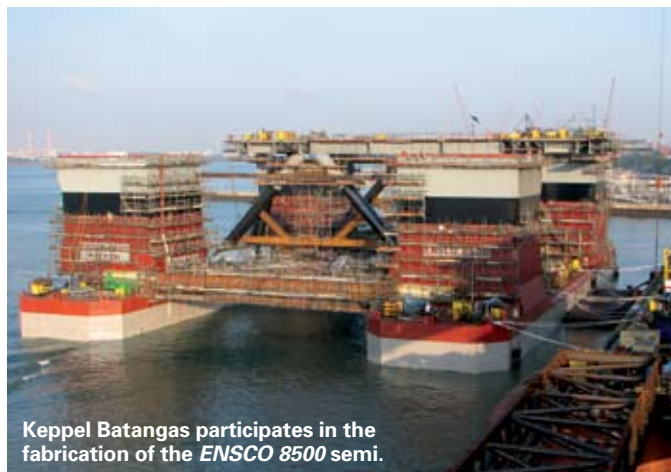
In 2006, **Keppel Batangas** repaired 80 vessels, completed two 45-tonne bollard pull (tbp) harbour tugs and the lower pontoon of a semi for Keppel FELS. It also commenced construction on another tugboat and the lower pontoon sections of two semis, all of which were for export.

Wholly-owned subsidiary, **Keppel Cebu**, repaired 92 vessels in 2006, up from 76 vessels in 2005. It also started work on a 45-tbp tug and two 50-tbp tugs.

Subic Shipyard and Engineering, an associate company, repaired 38 vessels in 2006. The shipyard was also contracted by Keppel FELS for the construction of the pontoons of semis.



Keppel Singmarine reinforces its presence in the Russian market with the completion of *M.V. Svetlyy*, an AHTS vessel for LUKOIL. LUKOIL has since ordered another AHTS, two ice-breakers and an FSO unit.



Keppel Batangas participates in the fabrication of the *ENSCO 8500* semi.



Keppel Shipyard completes the repair of a membrane LNG carrier, *SK Sunrise*.

Arab Heavy Industries

In the United Arab Emirates (UAE), Arab Heavy Industries (AHI) achieved record performance in 2006, with a total of 222 vessels repaired during the year.

The company had increased its shareholding in Arab Eagle Marine Engineering during the year to make it a wholly-owned subsidiary. It was also listed on the Dubai Financial Market (DFM) on 27 December 2006, in compliance with requirements for all public joint stock companies to register their shares on the DFM.

Specialised shipbuilding

Keppel Singmarine/Keppel Nantong

Keppel Singmarine had a boom year in 2006, with revenue

improving 19% from the previous year due largely to the high-value projects and contributions from Keppel Nantong Shipyard in China. Keppel Nantong launched full-scale operations in 2006 to complement Keppel Singmarine in the construction of OSVs and tugs.

A total of 14 OSVs and tugs were delivered to a worldwide clientele including new customers LUKOIL-Kaliningradmorneft and Seaways International.

It secured 11 units of OSVs and two jackup hulls for Keppel FELS during the year. It also acquired new capabilities in Ice-Class vessels with the award of two units of ice-breakers and an FSO facility for the Caspian Sea.



Offshore Courageous is the first of five jackups that Keppel AmFELS is building for Scorpion Offshore.

The specialised shipbuilding yard has an order book of 22 vessels slated for delivery from the beginning of 2007 till mid-2009.

Operational services

Asian Lift

Asian Lift reported an excellent year in 2006, with its revenue improving 70% over that in 2005. Its cranes were deployed mainly in Southeast Asia. Significant projects included the lifting of FPSO and offshore platform modules. The year ahead will be a very busy one, with its fleet of cranes almost fully booked. The company intends to expand its fleet to meet increasing demand for its services.

Keppel Smit Towage

Keppel Smit Towage recorded good growth in revenue and profits in 2006, with 50% of its assignments coming from overseas. Between January 2006 and March 2007, the company added six more new tugs to its fleet, increasing its fleet strength to 40 vessels. Plan is underway for further fleet expansion.

Regency Steel Japan

Regency Steel Japan (RSJ) saw its revenue from both international and domestic sales increase 55% in 2006 from the year before. This included deliveries of four contracts for the rack and chord and leg structures for jackups, which was the bulk of its business.



Keppel Singmarine delivers *Smit Kamara*, an AHTS, to its long-time customer, Smit Transport and Heavy Lifts.

Looking ahead, RSJ is preparing for stronger demand for its services by adding a 10,000-tonne press, furnace and cooling bath, as well as three additional rack and chord welding machines.

Keppel Norway

Keppel O&M acquired 100% of Offshore & Marine in 2006 and renamed the company Keppel Norway. A new management was put in place, with capital injection to strengthen and position the company for growth.

Its order book of power drive packages and drilling mud system forms a good baseload for 2007. With its expertise in critical marine electrical systems and drilling related systems, Keppel Norway will be taking steps to address the challenges coming from clients operating in the Arctic and other harsh environments.

Industry outlook

The outlook for the offshore and marine industry remains strong, underpinned by sound market fundamentals.

With oil and gas demand growing at a strong pace to support global economic development, worldwide spending on offshore E&P is expected to keep pace.

Demand for offshore rigs remains bullish with an ageing global rig fleet and record high fixture rates. The offshore rig fleet is currently operating at an effective utilisation rate of nearly 100% in every sector.

Deepwater activity will continue to grow significantly, with almost 25% of E&P projects in the planning pipeline slated for ultra-deepwaters exceeding 1,500 metres (m). Almost 30% of the planned projects are in water depths of between 1,000 m and 1,500 m.

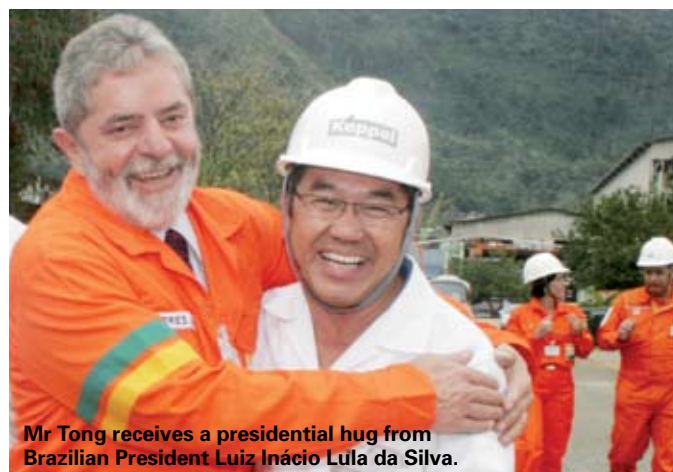
In the North Sea, a resurgence in exploration and appraisal (E&A) drilling in the last two years saw the highest levels of E&A investment since the late 1980s. The increased activity in the Arctic and other harsh environments looks likely to continue. The deepwater "Golden Triangle" of West Africa, Gulf of Mexico and Brazil will continue to account for over 80% of global deepwater expenditure. Prospecting in the Caspian Sea looks positive in the Russian, Azerbaijani and Kazakh sectors and this is expected to result in additional requirements for offshore-related infrastructure and support vessels.

In Brazil, Petrobras' new five-year strategy to reduce its dependency on gas, light oil and oil product imports has pushed up overall investments in deep and ultra-deepwater E&P. Together with the capital expenditure budgeted by other oil companies in the region, a total order for 11 FPU's is planned for the period between 2007 and 2011.

West Africa remains an important region for the international oil community, as oil companies seek to diversify long-term oil and gas supply from the Middle East and parts of Latin America. There is also strong interest for African acreage, particularly from Asian national oil companies seeking to fuel their burgeoning economies. The emerging Asian and

“We strive to be the partner and provider of choice in our chosen business segments. We are going beyond designing and building structures to offer cutting-edge solutions for the offshore and marine industry.”

Mr Tong Chong Heong,
MD and COO of Keppel O&M



Mr Tong receives a presidential hug from Brazilian President Luiz Inácio Lula da Silva.

Australian regions will see equally strong growth in offshore oil and gas activities.

The high level of E&P activities will continue to drive demand for production facilities, particularly FPSOs and FSOs. About 30 potential FPSO and FSO projects are coming on stream, including upgrading projects.

The rise in FPSO and FSO projects is taking up capacities traditionally used for shiprepair and upgrading work, while the continuing good shipping market is exerting pressure on owners and ship managers to push for faster turnaround times in shiprepair. The confluence of these factors has held up prices for shiprepair services despite expansion of existing and new shiprepair facilities within Asia.

The OSV market will continue to thrive on the current high utilisation and charter rates, providing favourable conditions for further investment in vessels by operators. Demand for icebreaking OSVs is expected to rise as Russia intensifies her hydrocarbon exploration in the Russian Arctic territory.

However, competition is expected to remain keen as Norwegian yards are lowering their production cost by outsourcing hull construction work to East European countries and offering liberal payment terms. Chinese and Indian yards are also now in the fray for OSV construction.

Prospects for tugboats remain robust with growing global shipping, underpinned by the industrial expansion of China and India's booming trade. There is a greater

need for harbour tugs of bigger horsepower and better manoeuvrability.

Challenges for Keppel Offshore & Marine

For the first time in years, the offshore and marine sectors are enjoying strong growth concurrently. These strong fundamentals have resulted in a new landscape for players in the offshore and marine industry.

There are increasing numbers of new entrants, while new oil and gas fields are being developed, particularly in harsher environments. National oil companies are expanding their roles. The challenges faced include environmental considerations, rapid development of new technologies, rising cost of infrastructure and services and a shortage of skilled manpower.

This new operating environment presents both challenges and opportunities for us as we continue to pursue our strategies of “Near Market, Near Customer” service, partnerships with trend-setters, technology innovation and project excellence.

We remain committed to deliver on our promise by executing all our projects on time and on budget. In today's environment, this means drilling down to details in order to manage our project execution carefully and effectively.

As a global offshore and marine group, we strive to be the partner and provider of choice in our chosen business segments in order to grow beyond today.

Excellence in HSE
**We want every worker to
return home safely everyday.**





Safety briefings are conducted every morning before work commences.



Leadership visibility is clear across the Group where Management champions safety for the respective yards.

Passion for HSE

Keppel Offshore & Marine (Keppel O&M) is harnessing employees' *Can Do!* attitude to ignite a passion for excellence in the management of Health, Safety and Environment (HSE).

Deep commitment to HSE is reflected in Management's determination to ensure that every worker returns home safely everyday.

As a further step to underscore the importance of safety, all companies under the Keppel Group have placed safety reports as the first item on the agenda at Board Meetings.

Partnership in HSE

In building a safety culture, we focus on four strategic thrusts. They are management commitment, empowerment, visibility and openness, and incentives and penalties.

During the year, workers at Keppel Shipyard were encouraged to form a Workers Safety Council to help take care of their safety. Union delegates continue to partner Management in creating a safe work environment.

Subcontractors were encouraged to be safety partners by setting up their own Safety Watch Groups.

The HSE teams also worked closely with their counterparts from customers who provided invaluable feedback and guidance.

With the encouragement of greater openness and transparency, there was increased sharing of near-miss incidents and lessons learnt at the shipyards.

Projects in 2006

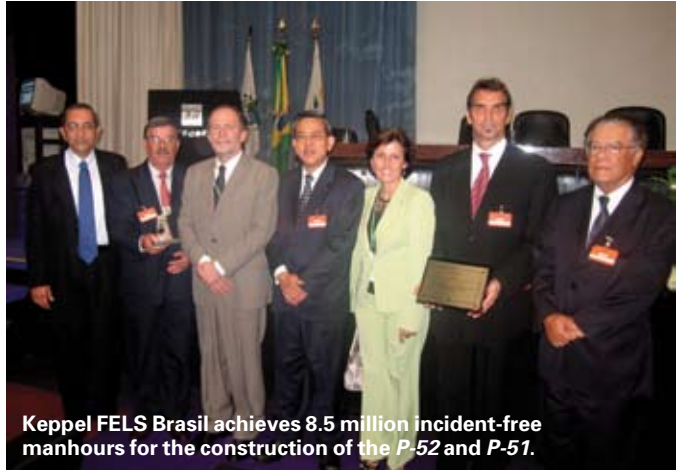
Several major HSE initiatives were implemented during the year, with training and communicating the safety message as the main focus.

In-house training courses on risk assessment were conducted for managers and supervisors. Keppel Shipyard took a step further to initiate a Safety Leadership Programme which emphasised pro-active actions. The programme further reinforced upon managers and supervisors the importance of leadership by example in demonstrating to and coaching their teams on safety acts.

Keppel FELS held its annual safety campaign in July 2006 with risk assessment as the main theme. In December 2006, Keppel Shipyard and Keppel Singmarine also held safety campaigns directed at prevention of injuries to hands and fingers.



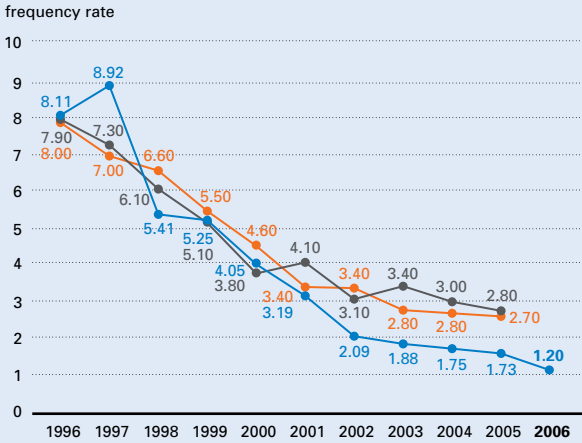
Keppel bags seven awards at the WSH ceremony.



Keppel FELS Brasil achieves 8.5 million incident-free manhours for the construction of the P-52 and P-51.

Keppel O&M achieves sterling safety performance

- Keppel O&M Frequency Rate (FR)
- Marine Industry National FR
- Annual FR Target Set by Ministry of Manpower



As an incentive for maintaining good safety performance, safety award ceremonies were held for projects to recognise the efforts put in by subcontractors towards safety. Good safety performance was added as one of the criteria for the award of jobs to subcontractors.

Protection of the environment

Keppel O&M ensures that all its activities that may affect the environment are carried out under approved controlled conditions.

An example of care for the environment was the dredging operations carried out at Keppel FELS Brasil's BrasFELS yard in Angra dos Reis in Brazil. The dredging was done to enable the berthing of the P-52 and P-51 semisubmersible production platforms.

Prior to commencement of dredging, BrasFELS engaged approved Brazilian environmental consultants to carry out elaborate studies and analyses to ensure that the disposal of the dredged seabed material does not harm the rich sub-marine life in the pristine waters of the Jacuecanga Bay.

Consultation with local authorities and community leaders through public hearings were held to ensure proper understanding of the dredging operation.

Significant safety milestones in 2006

Yard	Project	No. of manhours without Loss Time Incident (LTI)	Client
Keppel FELS Brasil	P-52/P-51	8,500,000	Petrobras
Keppel Shipyard	P-53	5,000,000	Petrobras
Keppel FELS	Mærsk semi no.1	3,000,000	Mærsk
Keppel Batangas	ENSCO 8500	3,000,000	ENSCO
Keppel FELS	Mærsk jackup no.1	2,000,000	Mærsk
Keppel FELS	Deep Driller 2	2,000,000	Sinvest
Keppel FELS	Deep Driller 3	2,000,000	Sinvest
Keppel FELS	West Prospero	2,000,000	SeaDrill
Keppel FELS	Sedco 702	2,000,000	Transocean
Keppel FELS	Deep Driller 5	1,000,000	Sinvest
Keppel FELS	West Atlas	1,000,000	SeaDrill
Keppel FELS	West Berani	1,000,000	SeaDrill
Keppel FELS	Awilco Wilcraft	1,000,000	Awilco
Keppel Shipyard	FPSO Polvo	1,000,000	Prosafce
Keppel FELS	Al-Khor	1,000,000	Gulf Drilling
Keppel FELS	Al-Zubarah	1,000,000	Gulf Drilling
Keppel FELS	PV Drilling I	1,000,000	PetroVietnam

Praiseworthy records

Despite the heavy workload in the seven yards in Singapore, Keppel O&M maintained a good safety performance in 2006. The 10-year low Accident Frequency Rate (AFR) of 1.73 for the Group's Singapore yards in 2005 was further improved to 1.20 in 2006.

During the year, the Group's business units received numerous accolades for their creditable safety performance.

At the annual Workplace Safety & Health Awards organised by the Ministry of Manpower (MOM), Keppel Singmarine, Keppel Shipyard and Keppel FELS collected a total of seven Silver Awards. They also won an award at the 2006 Annual Innovation for Occupational Safety & Health by MOM.

At the Annual Association of Singapore Marine Industries (ASMI) Safety Innovation Teams (SIT) Convention, they were conferred one Gold, two Silver and one Bronze Awards.

Keppel Shipyard and Keppel FELS were also presented with one Gold and one Silver Award respectively during the Annual Health Awards organised by The Health Promotion Board, Ministry of Health.

Apart from accolades from government agencies and industry associations, customers continued to recognise Keppel O&M yards for their safety accomplishments in various projects.



What are the challenges ahead?

We are opening up new facilities regionally in order to meet the high workload. Our main challenge would be to inculcate the new workmen joining our ranks with our safe work practices.

We also need to ensure that our newly commenced work fronts are equipped with the right infrastructure for safety. Constant feedback from the ground is important to make sure that the safety message reaches the workers.

**Interview with Yong Chee Min,
General Manager (HSE)**

Keppel O&M has in recent years expanded its global network of yards to emerging markets. How do you intend to align and maintain the same high safety standards in all of your yards?

The safety standards in most of our overseas yards are quite high. Our immediate efforts should therefore be focused on those yards that need improvement. Some of these efforts include sending our HSE teams to provide guidance and training to personnel of these yards. We can also send their personnel to our Singapore yards for training and familiarisation with the required safety standards.

How does Keppel O&M compare with European yards that have been able to achieve safety records with zero incidents?

Established yards in Europe, and even in Japan and Korea, have the advantage of a homogeneous and well-educated workforce. In Singapore, our challenge is to ensure that our multi-national, multi-cultural workforce, especially our subcontractors, are properly inducted with knowledge on safety despite their different backgrounds and work experiences. It is extremely important that we have a strong safety culture here in Keppel. Newcomers to our yards will then learn from their peers, supervisors and everyone else in the yard to follow strict safety rules.

For our overseas yards, each one of them will have to conform to safety rules in their respective locations. There may be slight variations, but in general safety rules are universally similar in nature.

Will Keppel O&M be achieving such standards?

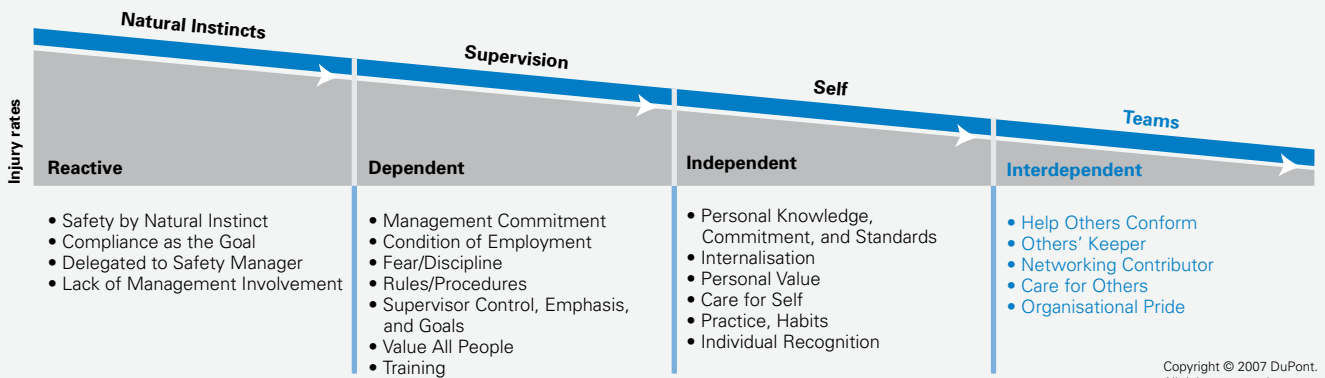
As a global leader in our field, we need to have a world-class safety culture. If we can have the same passion for safety as we have in our *Can Do!* attitude towards quality control and timely delivery, there is no reason why we cannot achieve such standards.

We want all our employees to go home in the same condition as they come to work. This is possible only when everyone takes care of himself and his fellow colleagues.

With the current high level of activity in all our yards, how do you intend to maintain or better your safety track records?

The present peak workload in our seven yards in Singapore will no doubt pose major challenges for us in terms of keeping our good safety records. Each of our yards will have its own safety action plans covering amongst other aspects, training and enforcing safety standards, as well as communicating the safety message down the line to the individual worker.

Building a safety culture – Keppel is moving towards “Interdependent”



The increase in workforce also poses a challenge to the Group. How does the Group manage safety education for the newer and less experienced workers to ensure they are up to the mark?

Training and communicating the safety message will be the mainstay of our safety improvement plans. Besides the safety induction course, we are also emphasising the buddy system whereby each worker not only takes care of his own safety, but also that of his workmates. In addition, we pay special attention to the safety of our new workers.

Supervision of workers' safety while on the job is important. How do the safety departments of the yards handle that?

The management of safety cannot be the sole responsibility of the safety departments. We must be mindful that in our chain of command for safety, we are only as strong as our weakest link. Supervisors play a very important role in ensuring that the safety message reaches right down to the frontline workmen in their teams. As such, we conduct safety leadership programmes for the whole hierarchy of command starting with senior management personnel at the top and cascading down to the supervisors who, in turn play the vital role of ensuring that the safety message reaches down to each and every workman.

How does Keppel O&M ensure that it protects the environment in the course of its business?

Our yards in Singapore are accredited to various certifications as far as protection of the environment is concerned. For example, Keppel Shipyard attained the ISO 14000 certification in 2005 and Keppel FELS is certified under OHSAS 18001. As such, many of our operations affecting the environment are now carried out under approved controlled conditions where environmental protection is assured.

What are the new systems or initiatives that have been put in place since your appointment as GM (HSE)?

One of the main initiatives that I am presently very much involved in is the building of a strong safety culture within the Keppel O&M Group. For many people, safety consciousness does not come naturally. There is a need to consciously build the safety culture into our daily work routine.

The journey towards a safety culture is a long and ongoing one. Our goal is for everyone to realise that safety is not just the responsibility of the safety department and that safety culture is at its strongest when everyone takes ownership. We are encouraging our workers to be open about safety matters.

All said, our safety records have to reflect all the efforts that we put in.

Excellence in quality and innovation
In our relentless pursuit of quality
and innovation, we had an eventful
and fulfilling year in 2006.





“To Adopt, Adapt and Advance...” is the slogan for Keppel FELS’ iQC campaign.



Keppel O&M encourages the sharing of expertise.

Value creation

We are continually seeking new ways to increase efficiency and create value for our customers through excellence in execution, human resources, innovations and experience.

Keppel Shipyard was conferred the Lloyd’s List Maritime Asia (LLMA) Award on 2 November 2006 by a panel of industry specialists for being the best shiprepair yard in Asia for the second year running.

Keppel FELS Brasil was accorded the Premio Top Award for 2005/2006 in the offshore and marine construction sector in Brazil for its *P-52* and *P-51* projects by renowned Brazilian publications *Petro & Química* (Petro & Chemistry) and *Controle & Instrumentação* (Control & Instrumentation). The award recognises organisations for outstanding performance in their industries.

Additionally, for the second consecutive year, Brazil’s national oil company *Petróleo Brasileiro S.A.* (Petrobras), awarded Keppel FELS Brasil the top prize for the Programme of Development and Execution of Projects of Exploration and Production (PRODEP).

The award recognises excellence in the application of concepts, best practices and project administration tools within both the Petrobras Oil Exploration and Production segments and their subcontractors. Keppel FELS Brasil’s ongoing project, the *P-51*, was awarded the best-in-class in its category for “good practices of project administration

in the execution of Exploration and Production contracts” from all the current nation-wide projects by Petrobras. One of the world’s largest Floating Production Units (FPU), *P-51* achieved the highest indicators in all disciplines, from management performance and quality to health, safety and environment. Its sister FPU, the *P-52*, was also rewarded with an “Award Honor” plaque for Keppel FELS Brasil’s excellence in project execution.

Innovation and learning

Our drive for technology is underpinned by our desire to improve and provide solutions through innovation and learning.

During the Innovation Quality Circle (iQC) campaign, teams from various departments showcased their projects. Prizes were given out to teams and individuals who contributed valuable ideas to enhance organisational efficiency through the Staff Suggestion Scheme (SSS).

In conjunction with the Philippines’ National Productivity Month, Keppel Cebu Shipyard held a month-long celebration to mark its seventh Total Quality Process (TQP) anniversary in October. The celebration saw a wide array of activities to promote commitment to quality and productivity.

Looking ahead, Keppel O&M will continue its pursuit of quality and innovation by exploring new ways to improve our products and services, work processes and practices.

Enterprise risk management

Our ERM framework provides a holistic and systematic process for managing significant risks.



Enterprise risk management

Introduced in 2002, the Keppel Offshore & Marine (Keppel O&M) Group's Enterprise Risk Management (ERM) framework provides a holistic and systematic process for identifying, evaluating and managing significant risks.

In this ongoing process, significant risks and appropriate mitigating actions associated with various value drivers to achieve our corporate strategies are identified and cascaded down from top management to the individual business units and departments.

During the annual strategy meeting in Singapore, top management reviews risk profiles in relation to corporate strategies.

At the operational level, the risk management process is incorporated in day-to-day operating procedures, as well as all significant projects handled by the Group.

A large proportion of the Group's operations is project-based and extends over a period of time. Keppel O&M management monitors major risks for each significant project at tender and execution stages using a standard risk template.

At the tender stage, the risk template consists of various risk factors grouped under pre-tendering, competition, project, contract, execution, people and safety.

At the execution stage, the risk template consists of risk factors involving on-time, on-budget delivery, quality control and meeting customer's specifications.

Emergency plans have been drawn up to handle possible epidemic outbreaks. During the year, simulation exercises were conducted.



With a record order book, the Group's main challenge is the execution of projects to ensure on-time and on-budget delivery while meeting quality standards. The major risks associated with this would largely be related to execution risks with stretched resources. A template has been developed for monitoring schedule risk, cost risk and quality risk of all major work-in-progress.

In order to manage the execution risks with stretched resources, Keppel FELS has expanded its facilities, including setting up a new yard in Singapore at Shipyard Crescent and a joint-venture yard in Bintan, Indonesia. Keppel FELS is also subcontracting portions of its work to sister yards around the world. The yard in Nantong, China, which was acquired by Keppel Singmarine, started its specialised newbuilding activities in 2006 with a team of senior staff from Singapore.

In order to monitor the execution risks with stretched resources on the numerous projects on hand, a sub-risk template for execution risks has been developed to report on their progress of work on a periodical basis.

An equally important challenge to the Group during the execution of projects is safety awareness and enforcement. To add further emphasis in this area, Keppel Corporation has formed a Board Safety Committee to complement the Group Safety Committee in reviewing the effectiveness of the Group's safety management systems.

The system for internal control, established by the Group, is designed to manage the risk of failure to achieve the Group's strategic goals.

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 was set up in 2003 to look into critical threats that could severely disrupt the yards' operations, and to develop action plans to mitigate these threats. Some of the critical threats identified are epidemics which affect staff in general, terrorism, damage to critical physical assets such as buildings, IT infrastructure, drydocks and cranes, and loss of critical supply chains.

Championed by department heads, mitigating action plans addressing these critical threats have been developed to ensure business continuity.

The yards in the Group have implemented security procedures which comply with the International Ship and Port Security (ISPS) Code adopted by the Maritime and Port Authority of Singapore (MPA). The response plan covers various scenarios such as fire or sea intrusion by terrorists which may affect the yards' security. Bomb hoax and intrusion response exercises were conducted during the year to assess the effectiveness of the yards' security arrangements.

Corporate social responsibility
We continue to be responsible and active members of our communities.





Keppel O&M raises money for the Singapore Red Cross Society's Indonesian Disaster Relief Fund. This Fund has been set up to provide medical resources and relief assistance to victims of the Central Java earthquake and the Mt Merapi volcanic eruption.

The Company supported the WOMAD Singapore 2006 festival through the sponsorship of renowned Brazilian musician, Chico César. The festival was also an opportunity for customers and employees to relax while soaking in great music.



In 2006, Keppel Offshore & Marine (Keppel O&M) supported programmes ranging from education, sports, charities, and performing arts, to community development and international trade promotion.

in Harsh Environments" to a packed audience. The lecture was jointly organised by NUS and Keppel O&M under the auspices of the Keppel Professorship. The lecture serves as a forum for exchange between academia and the industry.

Singapore

Education was at the forefront of our social commitment with various initiatives and sponsorships that were actively pursued in 2006.

Keppel O&M is a platinum sponsor of the annual Chua Chor Teck Memorial Lecture organised by the Society of Naval Architects & Marine Engineers Singapore (SNAMES). Held in honour of the late Mr Chua Chor Teck, the lecture equips the local maritime industry with insights on pertinent issues from prominent industry experts and personalities. Mr Charles Foo, Managing Director (Special Projects) of Keppel O&M, delivered the 2006 lecture.

Our deep-seated belief in the importance of education saw us contributing to Child Aid, a concert organised by Singapore Press Holdings (SPH) in support of The Straits Times School Pocket Money Fund and The Business Times Budding Artists Fund.

The Group also sponsored the World Maritime Technology Conference 2006. The conference promotes integrated solutions for industry-wide issues while assessing their impact on global economies. Additionally, Offshore Technology Development sponsored the PetroMin Jackup Conference & Exhibition to facilitate the sharing of information within the industry.

We also promoted the industry to young talent with a platinum sponsorship of the Nanyang Technological University (NTU) Engineering Networking Night held on 21 September 2006. Some 350 graduating engineering students attended the event. They had the opportunity to learn about the offshore and marine industry and to interact with Keppel scholars.

Our yards are active participants in the Super V Programme. Initiated by the Association of Singapore Marine Industries (ASMI), in collaboration with the Workforce Development Agency of Singapore (WDA) and the National Trades Union Congress (NTUC), the Super V Programme aims to identify and train Singaporean supervisors to fuel the growth of the marine industry. Selected candidates embark on a two-year training programme in Keppel yards. Upon completing the

We continued with the sponsorship of a chair, the Keppel Professorship, at the Centre for Offshore, Research and Engineering (CORE) at the National University of Singapore (NUS). In November 2006, the annual Keppel O&M Lecture was held. Keppel Professor Torgeir Moan gave an enlightening lecture entitled "Floating Production Systems for Oil and Gas



course, they assume supervisory roles for different trades such as welding, painting and scaffolding.

Our yards also actively supported the Place and Train Programme initiated by ASMI and WDA for the marine industry. The programme aims to equip Singaporean workers with skills that can enhance their employability.

Our people often combine their two favourite activities – keeping fit and contributing to the community. In aid of the Community Chest, Keppel Singmarine pledged donations through the Standard Chartered Singapore Marathon held on 3 December 2006.

In support of the Society for the Prevention of Cruelty to Animals (SPCA), we sponsored tee-shirts for an SPCA fun run held on 20 August 2006. Many Keppelites also took to the trail at MacRitchie Reservoir with their dogs. Moreover, we sponsored and participated in the Singapore Dragon Boat Festival that took place on 1 and 2 July 2006 at Bedok Reservoir.

During the year, we also contributed towards various fund-raising and charity golf tournaments. To support the rehabilitation and recovery of victims of the Central Java earthquake and the Mt Merapi volcanic eruption in Indonesia, the Keppel Group organised a charity golf tournament at the award-winning Ocean Course in Ria Bintan on 1 July 2006. The event was hosted by Mr Choo Chiau Beng and raised S\$100,000 for the Singapore Red Cross Society's (SRC) Indonesian Disaster Relief Fund.



The Group was the platinum sponsor for The Mission to Seafarers' Inaugural Golf Tournament. We also contributed to Keppel Club which held the Keppel Charity Open 2006 in support of 10 charities. Other charity golf tournaments that received support included those organised by the Breast Cancer Foundation, Metta Welfare Association, St. Luke's Hospital, The National Arthritis Foundation and the Bukit Batok PAP Community Foundation Charity.

Our contribution to develop and sustain the arts in Singapore was recognised by the National Arts Council (NAC) at the Patron of the Arts Award Ceremony held at the Esplanade on 3 October 2006. Keppel FELS received the Arts Supporter Award. The company won the award for the role it played in presenting the musical prodigy, Bebel Gilberto's concert on 31 March 2005.

We also sponsored the performance by renowned Brazilian musician, Chico César at the WOMAD (World of Music, Arts and Dance) Singapore 2006 festival. The sponsorship of the leading Brazilian songwriter and singer was extremely well-received. WOMAD is a widely anticipated annual event featuring music, art and dance performances from cultures across the world.

We collaborated with other members of the Keppel Group to support the Singapore Arts Festival by sponsoring J S Bach's Mass in B Minor by Collegium Vocale Gent from Belgium. The distinguished instrumental and vocal ensemble of Baroque music performed Bach's monumental liturgical

Keppel O&M sponsored a cocktail reception for the delegates of LatinAsia Biz 2006, providing support for companies from Latin America and Asia to forge strong partnerships, share insights and tap into business opportunities.



Keppel Shipyard supported Chung Cheng High School in its effort to create awareness of the environment through the Clean & Green Week organised by the National Environment Agency.

work, Mass in B minor, on 14 June 2006 at the Esplanade Concert Hall.

Additionally, we were one of the proud sponsors of the National Museum of Singapore's opening festival. On 8 December 2006, the 119-year-old National Museum of Singapore reopened its doors to the public after three years of refurbishment. Our staff also celebrated National Day 2006 in style at the National Stadium with students from the Association for Persons with Special Needs (APSN).

We provide strong volunteer and financial backing to APSN through Keppel Volunteers, a group that was specially formed in 2000 to make a difference in the lives of the people belonging to its adopted charities. Keppelites also volunteered in activities organised by the Keppelite Recreation Club (KRC). Both groups are passionate about serving the community and organised many charity events in 2006. Examples of events include Keppel O&M sharing our Family Day with children from ASPN. In another event held at Keppel FELS, the KRC together with the Social Service Training Institute (SSTI) organised a course entitled "Understanding and working with senior citizens" where participants learnt how to help and communicate with the elderly.

Group employees have regularly contributed part of their monthly income to the Social Help and Assistance Raised by Employees (SHARE) Monthly Contribution Programme. This culture of sharing with the less fortunate was recognised by

a string of awards from the Community Chest. Having received the SHARE Gold award last year, Keppel Singmarine achieved the Platinum award this year with close to 90% participation from its employees.

Keppel Shipyard (Gul) received its 14th consecutive SHARE Platinum award since 1993, a testament to its passion for helping the underprivileged. In addition, Keppel Shipyard (Tuas) and Keppel Shipyard (Benoi) were awarded the SHARE Gold award while Keppel FELS received the Bronze award.

We also donated money to the charity fund-raising efforts of societies like the Handicap Welfare Association, The Singapore Children's Society and Viriya Community Services.

In support of the Yellow Ribbon Project (YRP), our yards interviewed 23 convicts to work for us upon their release from prison. This Yellow Ribbon Job Fair 2006 was held at Sembawang Prison on 22 March 2006 and Changi Prison on 1 November 2006. A brainchild of the Community Action for the Rehabilitation of Ex-Offenders (CARE Network), the YRP urges the general community to give reformed offenders and their families a chance to start life afresh.

The Group has been a consistent and major sponsor of the Latin Asia Business Forum. We continued the practice in 2006, with Mr Choo Chiau Beng serving as the chairman of the advisory board of the Latin Asia Business Forum in 2006.

Keppel Cebu worked with the Philippine coast guards to clean up approximately 5 km of shoreline near the shipyard. The company also sent six divers to take part in an underwater clean-up of the Lapu-Lapu beaches.



Keppel Shipyard was presented with a Certificate of Sustained Partnership by the National Environment Agency (NEA). This was in recognition of its active participation, since 2004, in NEA's annual Clean & Green Week Schools' Carnival. Keppel Shipyard participated in the event with its adopted school, Chung Cheng High School (Main).

International USA

Employment and contribution to the overall development of Brownsville, Texas – these remained Keppel AmFELS' commitment towards the community in 2006. The company's strong emphasis on social responsibility has been realised through its consistent support towards community, educational and welfare organisations.

Employees and subcontractors of Keppel AmFELS showed their concern for the community in contributing to the 2005 United Way of Southern Cameron County Campaign. This reputable volunteer organisation provides the communities of Brownsville, Olmito, Los Fresnos, Laguna Vista, Port Isabel and the South Padre Island area with a platform to launch their community outreach programmes. With a contribution of close to US\$200,000, Keppel AmFELS was one of the largest donors in South Texas and the largest private donor in Cameron County. The company was presented with a Community Impact Award in 2006.

The children of Brownsville, Texas were the happy beneficiaries of the Keppel AmFELS 2006 Charity Golf

Tournament. A team from Keppel AmFELS also participated in the 1st Tee Tournament, a nationwide programme started by Tiger Woods to introduce underprivileged children to the game of golf.

Keppel AmFELS also donated to establish engineering scholarship programmes at the University of Texas-Pan America, University of Texas Brownsville and Texas Southmost College.

The Philippines

Keppel Philippines Marine Inc (KPMI) continued giving back to the local community with its Apprenticeship Programme for out-of-school youth.

Started in July 2004, KPMI's Apprenticeship Programme offers more and better opportunities for school leavers in Bauan, Batangas and other nearby municipalities. Located in Keppel Batangas Shipyard, a division of KPMI, the Keppel Batangas Training Centre (Keppel BTC) develops and runs the programme to cultivate competencies and teach new technical skills to trainees. These are in the areas of shipfitting, scaffolding, shop drawing interpretation, safety and other yard-related work. The programme is run by Keppel BTC.

Initiatives conducted in 2006 included the enrolment of 20 welders in the Advanced Steelwright Course in the Apprentice Programme. Keppel Cebu also hired five machinist-apprentices who were trained in the Apprenticeship Programme.



Keppel Verolme donates the bonus that it receives from its customer, Petro-Canada, to five local charities in Rozenburg.

Thirty Keppel Cebu employees participated in the government initiated Alay Lakad (Walk for a Cause) 2006. The walk was held as a fund-raising activity for youth. According to the Lapu-Lapu City government, the funds raised through the walk were enough to sponsor 167 out-of-school youths for skills training.

In February 2006, the team at Subic Shipyard came to the rescue when the 10-strong Clipper fleet was diverted to stop over at Subic Bay due to keel problems. Subic Shipyard showed great support for the Clipper 05-06 race by providing both logistical and engineering support for the crews.

The Netherlands

The Keppel Verolme team clocked a zero lost time incident (LTI) record for the completion of the Terra Nova FPSO, and was awarded a bonus cheque by Petro-Canada for their achievement. Keppel Verolme used the bonus to benefit the community of Rozenburg, the Netherlands. On 21 September 2006, Mr Harold Linssen, MD of Keppel Verolme presented a cheque to Mrs De Sutter-Besters, Mayor of Rozenburg, who received it on behalf of five local charities.

Brazil

In January 2006, Keppel FELS Brasil started the dredging of the Jacuecanga channel to facilitate the movement of floating production platforms, P-51 and P-52. Keppel FELS Brasil underscored its commitment to sustainable development by requesting an environmental licence from the state environmental organ (FEEMA) before embarking on channel work. Keppel FELS Brasil established several



The Keppel AmFELS 2006 Charity Golf Tournament.

programmes to monitor water quality and sediment while the dredging was taking place.

In partnership with Serviço Social da Indústria (SESI), Keppel FELS Brasil shipyard has invested in the Young Apprentice Project to enable Brazilian youth to seek jobs in a competitive market.

The Ministry of Labor has praised Keppel FELS Brasil for undertaking this scheme. The scheme is the first of its kind in the South Fluminense region.

During the holidays, Keppel FELS Brasil also distributed food, gifts and medicine to the community located next to the shipyard.

Kazakhstan

Keppel Kazakhstan Apprentice Scheme in the Mangistau region of Kazakhstan is laying the groundwork for the development of locals in shipbuilding. Personnel are trained to an international standard and the curriculum is aligned to the programme currently being used in Singapore. Apprentices are trained as skilled tradesmen such as welders, fitters, mechanics, electricians and foremen. The basic aims of the scheme include creating an educational programme that can successfully train and retrain experts in various fields of shipbuilding, attracting qualified candidates to the programme and also decreasing unemployment in the region.

Lifelong skills for Angolans

Keppel Shipyard was a training ground for 12 Angolans between August 2006 to January 2007. Under an agreement between Esso Angola Block 15 Limited, Single Buoy Moorings and Keppel Shipyard, the trainees were chosen from an initiative to train Angolan nationals with skills for offshore work.

The trainees underwent a month-long intensive Basic English course at The British Council, before starting their training in Keppel Shipyard. All trainees received training in shipyard safety, rigging, occupational first-aid and the ability to recognise hazardous working operations. Following this, they underwent training for three months in their trade of choice. They learnt to be riggers, crane operators, project controllers, scaffolders, safety officers and logistics officers.

This is the second such training programme undertaken by the partners. The previous batch of trainees came from Equatorial Guinea, West Africa.

Seeding the future in communities

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 Group expands to different parts of the world in tandem with its "Near Market, Near Customer" strategy, the growth of the Apprenticeship Scheme has followed suit. Some of our yards have replicated the Scheme and adapted it to suit local requirements while others, such as Keppel AmFELS and Keppel Verolme, have developed similar programmes. The yards draw on marine traditions of their own countries and in most instances, tie up with local education and industrial training agencies to equip young school leavers with relevant skills.

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



Angolans celebrate their graduation after months of intensive training at Keppel Shipyard.

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

Mr Chee Jin Kiong, Executive Director/ Human Resources of Keppel O&M said, "Keppel is committed to being a partner for progress in the different communities by helping young people become productive members of their society."

The map here shows the Apprenticeship Scheme conducted by our yards.



Hands-on training is part of the syllabus in the apprenticeship programme at Keppel Philippines.

United States of America

Keppel AmFELS recognises the need to have ongoing apprenticeship programmes for different trades.

In 2006, its welder training programme produced more than 150 certified welders. This programme was welcomed in the local community and the company is now working with several technical schools and high schools in the vicinity to develop and provide welder training programmes for their students.

Additionally, Keppel AmFELS has tied up with the University of Texas at Brownsville (UTB) for students in the Drafting and Engineering departments to serve as apprentices at Keppel AmFELS.

The Netherlands

The training facility at Keppel Verolme accepts more than 10 youths for a two-year technical course annually.

Trainees come with a primary school qualification and undergo their first year learning basic trade skills. In the second year, each trainee is attached to a department with a mentor to guide him.

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

Kazakhstan

Laying the groundwork for the development of locals in shipbuilding, Keppel Kazakhstan has worked with the Kazakhstan Industry & Education System to set up a Qualified Worker Apprenticeship Scheme (QWA).

The syllabus was offered by Keppel O&M Training Centre in Singapore. It incorporates local requirements and international shipbuilding best practices. Classroom training is conducted by the Mangistau Polytechnic College, a local technical institute.

The one-year programme is open to undergraduates and school leavers. Successful trainees could be offered employment and further training with Keppel Kazakhstan.

The Philippines

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

Through Keppel Batangas Training Centre, Keppel Batangas Shipyard has been offering apprenticeship training to out-of-school youths in Bauan, Batangas and other nearby municipalities since 2004.

Keppel Cebu Shipyard runs an apprenticeship programme on various trade skills for youths living in the community.

Subic Shipyard's apprenticeship programme in place since 1999, is similar to Keppel Batangas and Keppel Cebu's in objective and contents.

Brazil

Keppel FELS Brasil recently introduced a 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. A total of 40 young adults, all of whom live in Angra dos Reis, were selected to take the courses which will qualify them as industrial plumbers and welders.

This programme is organised in partnership with the Servico Social da Industria (SESI).

United Arab Emirates

Arab Heavy Industries conducts its own in-house trainee scheme for new recruits. Trainees undergo a two-year on-the-job training programme on areas such as welding, mechanical outfitting, blasting, painting and fabrication.

Azerbaijan

Caspian Shipyard Company continues to provide in-house training to its workers to take on more sophisticated and complex work.

Singapore

At Keppel Shipyard, the Apprenticeship Scheme is administered by the Keppel O&M Training Centre, which is an approved training centre of the Institute of Technical Education.

The Centre offers the Modular Skill Training (MOST) programmes for both its own workers and the subcontractors' workers.

Facilities worldwide

The facilities in our network of shipyards are integrated to offer synergistic services for customers worldwide.

	Type	Dock capacity		Berthage			Outfit quay	
		Capacity (dead weight tonnes)	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
	Berthspace						720	6 – 6.5
	Berthspace						500	4.5
	Berthspace						740	6
Pioneer Yard II Shipyard Road Crescent Yard								
				2,437				
Keppel Shipyard (Tuas)								
Tuas Dock	Drydock	360,000	350 x 66		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 Shipyard (Benoi)								
				1,163				
Drydock No. 1	Drydock	300,000	350 x 60					
Drydock No. 2	Drydock	170,000	300 x 60					
Building Berth	Slipway					225 x 40		
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 Shipyard (Gul)								
				531	6.5			
FD No. 1	Floating Dock	14,000 lifting	190 x 32					
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	40
Building Berth in Benoi 5	Slipway						100	24
Dock Entrance	Berthspace						40	5.5
Jetty	Berthspace						80	5.5
Azerbaijan								
Caspian Shipyard 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			

	Type	Dock capacity		Berthage			Outfit quay	
		Capacity (dead weight tonnes)	Size (metres)	Length (metres)	Draft (metres)	Building berth (capacity)	Length (metres)	Depth (metres)
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			
Keppel FELS Brasil (Niteroi Yard)								
Loadout Pier 1	Load Out Berth			20		3,000 T		
Loadout Pier 2	Load Out Berth			22		6,000 T		
China								
Keppel Nantong Shipyard								
				400		3,000 T	70	6
The Philippines								
Subic Shipyard and Engineering								
Pacific Dock	Graving Dock	340,000	350 x 65	750				
C Quay				303	9			
E1 Quay				255	9			
E2 Quay				205	9			
Keppel Batangas Shipyard								
President Dock	Graving Dock	50,000	200 x 38					
FD No. 1	Floating Dock	*2,400	100 x 19					
Ship Lift System	Lift Platform	20,000	172 x 28					
	Dry Berth: 8 off	Dry Berth: 8 off						
Pier No. K1				100 x 2	9			
Pier No. K2				100 x 2	9			
Alongside FD No. 1				100	8			
Pier Block No. 1				183	9			
Pier Block No. 2				160	9			
Pier Block No. 3				82	8			
Pier Block No. 4				135	9			
Keppel Cebu Shipyard								
Drydock	Graving Dock	35,000	210 x 30					
Slipway No. 1	Slipway	*2,000	79 x 7.9					
Slipway No. 2	Slipway	*1,000	73 x 7.9					
Slipway No. 3	Slipway	*600	43 x 3.09					
Slipway No. 6	Slipway	*4,000	105 x 10.4					
Launching Way	Launching Way	*1,000	100 x 8.0					
Docking Quay 1				152	7			
The Netherlands								
Keppel Verolme								
Dock No. 5	Graving Dock	65,000	230 x 35.5	1,600	9 – 12		400	9 – 12
Dock No. 6	Graving Dock	130,000	275 x 41		9.8			
Dock No. 7	Graving Dock	500,000	405 x 90		10.6			
					12.2			
United Arab Emirates								
Arab Heavy Industries								
Al Zora Drydock	Graving Dock	30,000	175 x 32		7			
Slipway No. 1	Slipway	*1,500	80 x 16					
Slipway No. 2	Slipway	*1,500	80 x 16		5			
Slipway No. 3	Slipway	*2,500	120 x 16					
Slipway No. 4	Slipway	*3,000	120 x 16		5			
Al Zora Wharf	Wharf			250				
East Wharf	Wharf			200				
West Wharf	Wharf			83				
USA								
Keppel AmFELS								
Floating Drylock (Rig mode)	Floating Drydock	35,000	94 x 110	336 (water front length)	10	70,000 sm	400	8 – 10
Floating Drylock (Ship mode)	Floating Drydock	35,000	37 x 190					

*Light Displacement Tonnage

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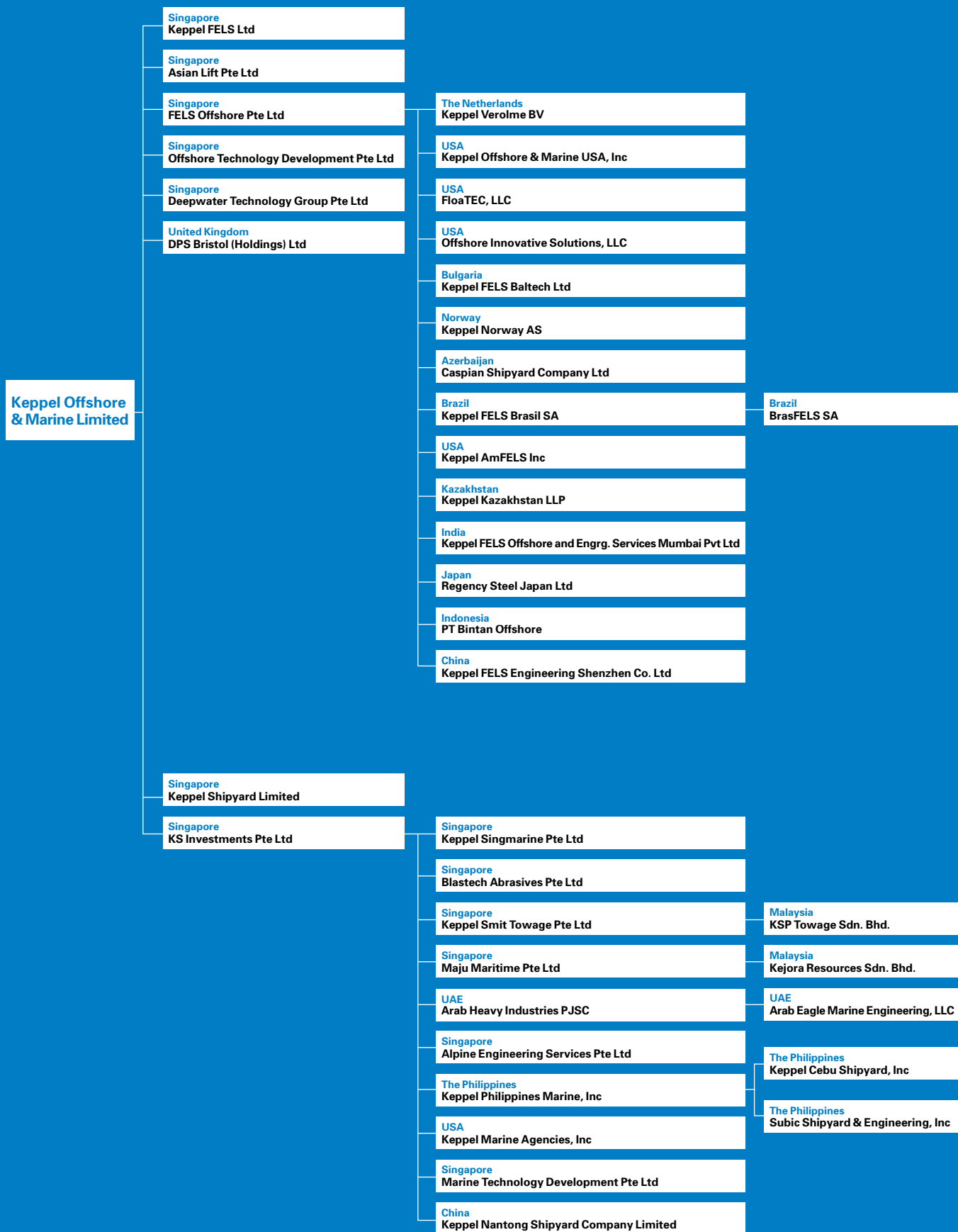
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