

SHAPING THE FUTURE

Report to Stakeholders 2012



Our vision is to be the provider of choice and partner for solutions in the global offshore and marine industry.

Keppel Offshore & Marine is a global leader in offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding. We harness the synergy of 20 yards worldwide to be near our customers and their markets.



With a strong commitment to Health, Safety and Environment and a reputation for reliable and quality project execution with quick turnaround, Keppel Shipyard leads the industry in FPSO, FSO and FSRU conversions, as well as ship repair.

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KEY FIGURES FOR 2012

New Orders Secured

\$10b

2012 continued to see healthy new contracts, matching 2011's level of new orders.

Net Orderbook

\$12.8b

The balance as at end 2012 in our orderbook with deliveries extending to 2019.

Major Deliveries

38

The number of major projects delivered on time and within budget worldwide.

Investments In Productivity

\$2b

The amount of investments to improve facilities and capabilities worldwide over the last decade (2002 – 2012).

Accident Frequency Rate

0.11

2012's Accident Frequency Rate, down from 0.24 in 2011.

Training Hours

87

The average number of hours each employee spent in training during the year.



Keppel FELS and its sister yards have successfully delivered half of the world's newbuild jackup rigs and a third of the semisubmersibles in the past decade. The yard is expected to deliver a record 20 rigs in 2013.

CHAIRMAN'S STATEMENT

The integration of the separate entities under one collective umbrella has led to Keppel Offshore & Marine's strong performance over the last decade. Looking ahead, we will continue to deliver to our customers' satisfaction by remaining focused on product innovation, productivity improvements, and investing in our human capital.

Revenue

\$8.0b

An increase of 40% over 2011.

DEAR STAKEHOLDERS,

The macro-economic environment in 2012 was difficult. Looking ahead, overall growth is likely to remain subdued. In the US, modest improvements in the labour and housing markets, while providing some growth support, will not be adequate to make a positive impact on the country's economic prospects. Likewise, the difficulties in the Eurozone are not expected to dissipate for some time to come.

While the world is tackling its economic challenges, demand for energy continues to soar due to rising incomes and population growth, particularly from the emerging economies. At the same time, the global energy landscape is undergoing a transformation, with a strong focus on gas and a rethink on nuclear energy.

At Keppel Offshore & Marine (Keppel O&M), we are cognizant

of the dynamic environment that we are in, and we strive to remain nimble to meet the needs of the market to sustain our competitiveness.

Over the last decade, thanks to the buoyant global offshore and marine market, coupled with the benefits reaped from the integration of our shipyards to form Keppel O&M, we have performed creditably. In 2012, we continued to do well and have matched our 2011 performance with \$10 billion worth of new contracts. This brought our net orderbook as at the end of 2012 to \$12.8 billion, with deliveries extending into 2019.

In terms of our financial performance, Keppel O&M recorded a revenue of \$8.0 billion in 2012, an increase of 40% over 2011, while net profit was 11% lower at \$974.1 million. Economic Value Added remained healthy at \$707.7 million.

SUCCESSFUL EXECUTION

I am pleased to report another year of successful deliveries. A total of 38 major projects were completed. Of these, the Offshore Division delivered seven rigs, comprising three newbuild jackup rigs, one jackup rig upgrade, two semisubmersible (semi) rigs, and one Multi-Purpose Self-Elevating Platform (MPSEP).

We are happy to have delivered the last two of the seven ENSCO 8500 Series® semis to Ensco, on time, within budget and with a perfect safety record. Keppel FELS also completed Seafox 5, our first offshore wind turbine installation vessel built to the MPSEP design. Seafox 5 is currently operating in the DanTysk wind farm in the German sector of the North Sea.

Over at our Marine and Specialised Shipbuilding Divisions, the major projects completed during the year include eight FPSO/FSO/FSU conversion/upgrade/integration projects, and six specialised vessels, among other upgrade and repair projects. The noteworthy deliveries were a rock dumping fall pipe vessel by Keppel Singmarine to Royal Boskalis and the completion of Castorone, a pipelay vessel, for Saipem, through the seamless collaboration of sister yards Keppel Shipyard and Keppel Singmarine. 2012 was a year of celebrations for Keppel Singmarine as it marked the 125th year since its beginning as Singapore Slipway in 1887.

In Brazil, we continue to reinforce our track record with the early and safe delivery of FPSO Cidade de Sao Paulo to MODEC and Toyo Offshore Production Systems Pte Ltd. For this good performance, Keppel FELS Brasil was awarded a bonus of US\$2 million.



CHAIRMAN'S STATEMENT

RAISING PRODUCTIVITY

As we mark another year of operational excellence in 2012, we stand ready in 2013 to deliver 22 rigs, the highest number ever for us. Our ability to deliver an increasing number of rigs every year to our customers' satisfaction is due to our relentless focus on productivity and process improvements, through product innovation, automation and skills training of our employees.

Over the last 10 years, Keppel O&M has invested close to \$2 billion in enhancing the operational efficiencies of our yards through facility upgrades and improvements. Such enhancements also help to increase the yards' capacity and capabilities. In addition, every year, we spend close to \$20 million on the training and development of our global workforce, with the aim of strengthening their skillsets, knowledge and expertise.

Looking ahead, we will continue to drive productivity and process improvements across all our businesses and yards, with the aim of delivering quality and cost-effective solutions to our customers.

PROVIDING LOCAL CONTENT

Over the last year, our *Near Market, Near Customer* strategy, bolstered by our network of 20 yards worldwide, has proven to be effective in meeting the growing local content requirement of our customers. In Brazil, our BrasFELS yard in Angra dos Reis has been awarded a total of \$6.55 billion worth of new orders in 2012, including the construction of five additional DSS™38E semis for Sete Brasil and two Floating Production Storage and Offloading (FPSO) projects for Petrobras-led consortiums. In Kazakhstan, our yard has been entrusted to build the country's first jackup rig based on our proprietary KFELS B Class design.

Another vote of confidence went to Keppel Subic Shipyard in the Philippines, which was awarded a contract by Shell Philippines Exploration to build a Depletion Compression Platform (DCP) to

support the recovery of natural gas from the Malampaya gas field in the Philippines.

Through these projects, we have been able to provide employment and skills upgrading opportunities to the local communities where these yards operate. Our BrasFELS yard currently has a local workforce of 8,000, while Keppel Subic Shipyard is expected to have a workforce of around 1,200 when the DCP project is in full swing.

COMMITTED TO SAFETY

With a global workforce of close to 34,000, we have a huge responsibility to ensure that all our employees go home safely to their families. In 2012, we have stayed on course in our safety journey to inculcate a pervasive safety culture across every business unit and yard. In the past year, over \$26 million was invested on safety infrastructure upgrades as well as the relevant training and development.

Reflecting a strong commitment to safety by the Board, we formed Keppel O&M's Board Safety Committee (BSC) in April 2012. The mandate of the BSC is to set the strategic direction towards sustaining safety excellence at Keppel O&M.

Following a difficult 2011, we have improved on our overall safety performance in 2012. Our Accident Frequency Rate dropped to 0.11 reportable cases for every million man hours worked, from 0.24 in 2011. Our Accident Severity Rate also improved to 77 man days lost per million man hours worked, from 443 in 2011.

In recognition of our efforts, Keppel O&M clinched 25 awards for its various projects in Singapore at the 2012 Workplace Safety and Health (WSH) Awards organised by the WSH Council and Ministry of Manpower.

DRIVING GROWTH

As part of our strategic thrust to further strengthen our technological expertise as a growth driver, the

Technology Division, formed last year, has been mandated to consolidate the research and development (R&D), product development and commercialisation work of the various units within Keppel O&M - Keppel Offshore & Marine Technology Centre (KOMtech), Offshore Technology Department (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD).

During the year, a significant milestone was achieved in the area of Arctic drilling. KOMtech and ConocoPhillips jointly embarked on a project to design a first-of-its-kind ice-worthy jackup rig for the Arctic region. This jackup rig will be capable of operating in a self-sustained manner for 14 days with a hull that is designed for towing in ice. The design project is expected to be completed by the end of 2013.

With gas gaining significance as tomorrow's energy source, we are seeking opportunities in the Liquefied Natural Gas (LNG) market. Towards the end of 2012, Golar LNG selected Keppel Shipyard to conduct a Front-End Engineering and Design (FEED) study which will potentially lead to the conversion of up to three LNG vessels into Floating LNG (FLNG) vessels. The global LNG market is currently dominated by just a handful of companies, and a successful FLNG conversion will be a game changer for us.

While we are mindful of the competition posed by yards in China and Korea, we will continue to build on our core competencies and explore value-added acquisition opportunities. Our *Near Market, Near Customer* strategy will remain our guiding principle in securing a strong foothold in both key and emerging oil and gas markets.

FORTIFYING LEADERSHIP

At Keppel O&M, we continually nurture and groom our human capital to ensure that we have a strong pipeline of talent for our next generation of leaders. During the year, several key



appointments were made as part of succession planning.

Michael Chia has been appointed Managing Director (Marine), and he concurrently holds his appointments as Managing Director (Technology) and Managing Director of KOMtech. Wong Kok Seng has been appointed Managing Director (Offshore), and he remains Managing Director, Keppel FELS. Over at Keppel Shipyard, Chor How Jat has been appointed Managing Director.

1 Mr Lim Hng Kiang (fifth from left), Singapore's Minister for Trade and Industry, visited Keppel FELS Brasil's BrasFELS yard in Angra dos Reis and was hosted by Mr Choo Chiau Beng (first from left), CEO of Keppel Corporation and Chairman of Keppel O&M, who is also Singapore's Non-Resident Ambassador to Brazil.

2 Celebrating Keppel O&M's successes and setting the ground for its next stage of growth are: (L-R) Mr Tong Chong Heong, CEO of Keppel O&M, Dr Lee Boon Yang, Chairman of Keppel Corporation, Mr Tharman Shanmugaratnam, Singapore's Deputy Prime Minister, Mr Choo Chiau Beng, CEO of Keppel Corporation and Chairman of Keppel O&M, and Mr Chow Yew Yuen, COO of Keppel O&M.

A number of chairmanship appointments were also made. Chow Yew Yuen, Chief Operating Officer of Keppel O&M, was appointed Chairman of Keppel Singmarine. Michael Chia has taken on the Chairman positions at Keppel Smit Towage Pte Ltd, Maju Maritime Pte Ltd and DPS Bristol (Holdings) Ltd. Toh Ko Lin has been appointed Chairman of Keppel Philippines Marine Inc, Keppel Batangas Shipyard and Keppel Subic Shipyard Inc.

At the start of 2013, we continued with our new appointments and Hoe Eng Hock was named Managing Director of Keppel Singmarine while Toh Ko Lin was appointed Executive Director of Keppel Singmarine.

ACKNOWLEDGEMENTS

2012 was a sad year for all of us when we lost Nelson Yeo suddenly on 4 September. Nelson was instrumental to the growth of Keppel Shipyard to its leading position in the ship repair, conversion and upgrading market. He also championed numerous workplace safety initiatives and social development projects. His untimely demise is a great loss to Keppel and to his family.

Finally, I would like to express my appreciation to our Board of

Directors, our valued customers, business associates, class societies, vendors, suppliers, contractors, and union leaders for their continuous support and confidence in Keppel O&M. I would also like to acknowledge the assistance and support of all local, state and federal authorities in the host countries where we are present.

Last but not least, I would like to thank our many loyal and dedicated Keppelites who played a key role in the sterling performance of Keppel O&M over the years. I am confident that with our strong team embracing the Keppel core values and the robust growth strategies which we have put in place over the years, Keppel O&M is in a good position to continue to create and enhance value for all our stakeholders.

Yours sincerely,

CHOO CHIAU BENG
CHAIRMAN

28 March 2013

INTERVIEW WITH CEO AND COO

Mr Tong Chong Heong, Chief Executive Officer, and Mr Chow Yew Yuen, Chief Operating Officer, of Keppel Offshore & Marine share insights on how the company aims to deliver all its projects safely, on time and within budget while leveraging its competencies and technology know-how to strengthen its competitive edge and stay ahead of the competition amidst a volatile global economic climate.



Q What is the outlook for the offshore and marine sector in the next few years?

A **Mr Tong:** With the continuing Eurozone crisis and uncertain growth in the US, the global economic climate for 2013 remains volatile. However, the long term fundamentals of the offshore and marine industry are expected to stay intact, underpinned by the increasing demand for energy from rapid population growth and increased urbanisation in developing countries.

The Brent crude oil price continues to hover above US\$100 per barrel and Pareto Securities has forecast the long term oil price to be around US\$120 per barrel. According to Barclays, global exploration and production (E&P) spending is set to reach a record US\$644 billion in 2013, up 7% from US\$604 billion in 2012.

Sustained high oil prices, the sanctioning of major E&P projects and the delivery of a large number of offshore rigs in both 2012 and 2013 are supporting spending increases.

This growth is spread across the globe, as almost every country with hydrocarbons to exploit is experiencing an increase in activity.

Even with the record number of deliveries this year, industry reports point to a substantial shortage of offshore drilling rigs, and this will provide good opportunities for us.

There are still requirements for new rigs, both jackups and deep water rigs, and also for production systems. As a global offshore and

marine group, we have the expertise, versatility and capacity to undertake a wide variety of projects.

Mr Chow: Based on estimates by Douglas Westwood, the jackup market will remain undersupplied over the next two years and there continues to be strong demand for high-specification jackup rigs. Even after accounting for some 80 deliveries by 2015, more than half of the world's jackup fleet will be over 30 years old, driving the replacement cycle for further rig orders and upgrades.

In the deepwater market, enquiries for newbuild floaters remain healthy. As E&P moves into deeper waters with harsher environments, high specification semisubmersibles (semis) are the preferred drilling solution. Currently, a third of the global fleet of 251 floaters is more than 30 years old. According to ODS-Petrodata and Rigzone, if semis and drillships of 30 years and older are retired, there could be a potential shortage of 50 floaters from 2014 onwards.

In the FPSO market, Douglas-Westwood estimates that investments of up to US\$91 billion will be spent on 121 units between 2013 and 2017. Washington-based International Maritime Associates (IMA) forecasts

that between 124 and 190 production floaters are set to be ordered over the next five years compared with 114 units over the past five years.

Around 70% of future orders for production units are likely to be FPSOs, with the remaining 30% accounted for by semis, spars, tension-leg platforms, floating liquefaction (FLNG) vessels and floating storage and regasification units (FSRU).

Q **How is Keppel O&M leveraging the current E&P trends to stay ahead?**

A **Mr Tong:** As the industry rapidly expands into deep waters and harsh environments, we must keep up with this development by evolving our designs, and enhancing our solutions with the latest requirements and preferences.

In addition, increasingly, the demand for rigs is shifting from speculators to national oil companies and established rig owners, adding resilience to the market. There has also been an increase in the need for local content for some of these companies.

We are reaping the benefits of our 'Near Market, Near Customer' strategy to be where our customers are. Our yard in Brazil has become the most established yard there and we have a good share of the projects in that region. We have also secured new orders in our yards in the US, Kazakhstan, Qatar and the Philippines.

Mr Chow: The modern jackup rig will be expected to drill faster, be more cost-effective, robust and well-suited to operate in various parts of the world such as the UK, Norwegian and other European sectors of the North Sea.

There have also been advancements in harsh environment floaters which will be required to work in ultra deep waters of 10,000+ feet and be equipped with winterised features such as derrick cladding and machinery space heating.

1 Mr Tong Chong Heong (left), CEO, Keppel O&M, with Mr Chow Yew Yuen (right), COO, Keppel O&M.

2 Keppel FELS, a subsidiary of Keppel O&M, is expected to deliver 20 rigs in 2013, a record for any yard worldwide.



2

INTERVIEW WITH CEO AND COO



Keppel has developed a suite of proprietary solutions to meet the requirements of all frontiers, from developing Arctic solutions to coming up with a suite of harsh environment jackup and semi designs.

In enquiries for newbuild rigs post Macondo, owners have asked for the provision of new technology to improve safety, which in turn improves cost-efficiency. We are able to offer customised rig designs where drilling contractors can have the flexibility to incorporate unique features to improve safety and reduce environmental impact, while addressing technological changes in drilling equipment and processes.

Q What regions are you looking at to expand your *Near Market, Near Customer* strategy?

A **Mr Tong:** We have a presence in almost all regions with active E&P activities.

As E&P gains momentum in regions where we currently have no yards

such as Africa and Mexico, we are able to serve these regions through our existing yards. We keep a close eye on developments there and when the opportunity is ripe, we hope to establish ourselves further in those markets. However, these will have to meet our criteria, including a reasonable return on our investments.

In late 2012 and early 2013, we received a number of contracts from Mexican customers. PEMEX, Mexico's national oil company, has announced investment plans of US\$20 billion for 2013 targeted at upstream activities. On his visit to our yard in January this year, the CEO of PEMEX also said the company aims to significantly increase its fleet of jackups.

In Africa, based on a forecast by New York-based GBI Research, the emergence of West Africa's pre-salt play and the big gas discoveries off East Africa will drive drilling expenditure to more than US\$17 billion across the region over the next five years, up from US\$13.56 billion in 2012.

Mr Chow: Brazil continues to be an active market, with Petrobras

requiring more units to be built locally. We are also optimistic on the growth of the repair, maintenance and upgrade business in Brazil, as drillers look at deploying rigs and vessels from their existing fleet to work in Brazil.

Our specialised shipbuilding yard in Navegantas, Santa Catarina, is about to deliver its first tug boats to Smit this year and we are optimistic on the prospects of more orders for offshore support vessels (OSVs) in Brazil. The estimated fleet of OSVs in Brazil is expected to grow within eight years from 200 plus vessels to more than 600 vessels by 2020.

The North Sea has also been fairly active in recent years and a number of prospects are in the tendering and pre-tendering phase. We are currently building several harsh environment jackups to be deployed there. In addition, other regions such as the Caspian Sea and Asia Pacific are also looking for more offshore rigs.

In the Caspian region, the development of our new shipyard in collaboration with SOCAR,

Azerbaijan's national oil company, is progressing well. When ready, this Baku yard will be able to construct a variety of vessels ranging from OSVs to tankers, as well as carry out ship repairs and conversions.

Spending in Asia and Australia has also been projected to rise in 2013, led by national oil companies such as PetroChina, Sinopec, INPEX and Petronas. As the region looks to meet as much domestic demand as possible from its own sources, Asia is becoming an increasingly important part of the world for oil and gas exploration and drilling. Besides China and India, this is also true of other major regional energy producers such as Thailand, Malaysia and Indonesia. In the short term, shallow water developments will account for the largest proportion of expenditure.

Q What new markets or products are you looking at for further growth?

A **Mr Tong:** We always focus on first adding to our core strengths and our core areas. Where we see potential to leverage our expertise, we also enter into adjacencies and new markets.

As E&P moves into ever harsher environments, we are in the process of developing robust rigs that can work in such conditions. These include the Arctic jackup design being conceived with ConocoPhillips as well as our DSS™ 51/60 HE harsh environment semis.

In terms of ultradeep waters solutions, we have developed a new generation drillship design, named CAN DO 20Kpsi drillship, capable of handling 20K PSI systems for safe and efficient operations in ultra deepwaters as well as meeting current and future needs for ultra deepwater operation. The design underwent rigorous consultations with oil companies, drilling contractors, service providers and vendors.

FloaTEC, our JV with McDermott, is on track to deliver the P-61 TLP this year. To further tap our synergies, Keppel O&M's Deepwater Technology Group and FloaTEC have also developed the Extendable Draft Semi, or EDS. This is a cost-effective, hybrid, ultra-deepwater, dry tree drilling semi. It can operate in water depths of 2,200m in the Santos Basin, offshore Southern Brazil.

Mr Chow: With the increased activity in offshore exploration and development worldwide, demand for

floating production is expected to further increase.

The Floating LNG (FLNG) vessel offers the most technologically innovative and cost-efficient LNG production facility. There are no FLNG vessels in operation yet and Keppel Shipyard is currently working with Golar LNG on the Front-End Engineering and Design (FEED) study to confirm the engineering and work scope on the conversion of up to three LNG vessels into Floating LNG (FLNG) vessels.

We have a number of topside fabrication projects in Brazil, Singapore and the Philippines. Keppel Shipyard formed a joint-venture with Dyna-Mac called Dyna-Mac Keppel Philippines, which will be engaged in the business of fabrication of topside modules for FPSOs and FSOs in the Philippines.

Our offshore wind turbine installer, Seafox 5, has already started the installation of monopiles for wind farms at Dan Tysk, the German sector of the North Sea. While the offshore wind market is currently suffering from a lack of financing due to the Eurozone debt crisis, we are positive on the long-term growth of the sector as there are a significant number of offshore wind farm projects in the pipeline.



1 Keppel AmFELS in Brownsville, Texas, US, is ready to support the rising demand for offshore drilling rigs in the Gulf of Mexico.

2 The topsides of P-61 TLP arriving at BrasFELS for integration towards the end of 2012.

INTERVIEW WITH CEO AND COO

Q With more competition from shipbuilding yards entering into the offshore business, what are you doing to maintain your leadership position?

A **Mr Tong:** We believe that our execution expertise and ability to provide customised proprietary solutions will keep us ahead of the competition.

We are the only shipyard group with a suite of proprietary deepwater solutions and we are constantly developing new and innovative products to extend our competitive edge in the offshore and marine market.

Our suite of proven designs has become industry benchmarks and

we work closely with our customers to come up with value-added solutions for them.

Mr Chow: Established operators have a preference for Keppel O&M due to our track record of delivering safely, on time and on budget.

To stay ahead, we will continue to drive productivity and process improvements, with the aim of enhancing competitiveness and to deliver better value to our customers and shareholders.

In addition, no other offshore and marine company has the same global network of yards as we have. Our *Near Market, Near Customer* strategy puts us in a good position for projects anywhere around the world.

Q With the manpower shortage in Singapore, how will you be able to achieve the record rig deliveries this year?

A **Mr Tong:** Keppel O&M will have a record delivery schedule of 22 rigs in 2013 and the Keppel FELS yard has already delivered five rigs so far this year, with perfect safety records and ahead of schedule.

With the tight labour market in Singapore, we are continually improving on our productivity and processes through technology and automation, as well as skills training and upgrading of our employees.

Under our Technology Division is the KOMtech Shipyard Technology Group,





1 The Keppel camaraderie and the *Can Do!* spirit no matter where Keppelites are in the world.

2 Mr Tong Chong Heong (centre), CEO, Keppel O&M, at Keppel Nantong in early 2013 to obtain an update of the yard development which is underway.

looking at how to bring about process and productivity improvements as well as ensuring that these enhancements are disseminated group-wide.

Mr Chow: We leverage technology and promote innovative ideas to improve our systems and processes.

We set aside a significant amount of resources in enhancing the operational efficiencies of our yards through facility upgrades and improvements. The workload of our Singapore yards is also supported by our overseas yards in China, the Philippines and Indonesia. As such, we are able to take on more projects with the critical phases undertaken in Singapore.

Process improvements in our rig construction have been put in place in tandem with facility enhancements. Our yards have been efficiently laid out like assembly lines, significantly reducing the time it would take to build a rig. With most rigs being built to Keppel's proprietary design, we have better control and can reap efficiencies through the replication of the construction process.

Q What other challenges ahead do you see?

A **Mr Tong:** There are many challenges in this industry. Having been in this business for more than 40 years, we have weathered a number of storms to emerge stronger. We understand what is needed to stay resilient and fighting fit.

Through financial prudence and strategic investments, we are able to improve our core competencies that will put us in pole position to capture opportunities for growth in challenging times.

With a high number of rig deliveries, ensuring that safety remains the top priority will require vigilance and teamwork. While the increase in automation and amount of safety training will reduce workplace risks, it is the inculcation of a safety first mindset that will make the difference. This year, the Keppel Group Safety Target 2013 aims to reduce incident rates by at least 20% from the previous year and achieve zero fatalities.

Mr Chow: Shale gas has the potential to be a game changer but with

environmental concerns and high costs associated with fracking technology and transportation, most industry experts are of the opinion that shale gas is not in a position to displace oil and is unlikely to bring down oil prices in a significant way any time soon.

The exponential growth in energy demand means that offshore oil and gas will remain the dominant source of commercially viable energy for years to come.

In this respect, we also need the right human capital to take the company forward and plan for growth in new areas. This year, we are reaching out to even more of our overseas employees with global training programmes. Our aim is to have every one of our staff feel a sense of Keppel camaraderie and the *Can Do!* spirit no matter where they are in the world.

To ensure that talented young people continue to come up the ranks, we have been working with schools and universities to provide scholarships as well as courses and seminars to increase the knowledge and technology capital in Singapore as well as our overseas centres.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Balance Sheet as at 31 December 2012

	2012 S\$'000	2011 S\$'000
Share capital	339,716	339,716
Reserves	2,193,353	1,543,002
Shareholders' funds	2,533,069	1,882,718
Non-Controlling interests	200,014	207,291
Capital employed	2,733,083	2,090,009
Represented by:		
Fixed assets	1,364,557	1,227,407
Associates	410,670	386,013
Loans receivable	60,655	47,677
Goodwill	36,363	36,363
Investments	70,383	173,682
	1,942,628	1,871,142
Current assets		
Stocks	156,928	273,663
Work-in-progress (cost > billings)	2,132,050	1,081,491
Related companies & associates	525,459	212,297
Other assets	326,372	308,594
Debtors	647,536	610,145
Bank balances, deposits & cash	1,916,678	2,343,971
	5,705,023	4,830,161
Current liabilities		
Creditors	2,218,896	2,351,840
Work-in-progress (billings > cost)	1,394,730	1,575,152
Related companies & associates	672,591	-
Other liabilities	21,953	81,043
Short term loans	112,300	32,762
Taxation	369,319	292,851
	4,789,789	4,333,648
Net current assets	915,234	496,513
Non-current liabilities		
Long term loans	93,924	171,388
Deferred taxation	29,465	80,313
Deferred liabilities	1,390	25,945
	124,779	277,646
Net assets	2,733,083	2,090,009

Consolidated Profit & Loss Account

for the financial year ended 31 December 2012

	2012 S\$'000	2011 S\$'000	Change %
Revenue	7,963,307	5,705,966	+40
Operating profit	1,101,647	1,397,759	-21
Net interest/investment income	74,054	54,564	+36
Share of results of associates	29,989	44,266	-32
Profit before tax	1,205,690	1,496,589	-19
Taxation	(228,166)	(309,521)	-26
Profit after tax	977,524	1,187,068	-18
Non-Controlling interests	(15,468)	(43,381)	-64
Profit before exceptional items	962,056	1,143,687	-16
Non-Recurring items	12,000	(44,994)	N.A.
Net profit	974,056	1,098,693	-11
Economic Value Added (Before non-recurring items)	707,699	992,467	-29

Keppel Offshore & Marine (Keppel O&M) achieved another strong set of results in 2012. Revenue increased by 40% to \$8.0 billion due to higher workload. Operating profit of \$1,102 million was 21% below that of 2011 due to lower margins on jobs secured after the first half of 2010. Net interest income was 39% higher at \$71.7 million. Contribution from associates was \$30.0 million. Profit after tax of \$977.5 million was 18% lower compared to 2011, while net profit of \$974.1 million was 11% lower.

Keppel O&M's return on equity (before non-recurring items) was 44% compared to 61% in 2011, while Economic Value Added was a healthy \$707.7 million.

The group delivered seven rigs, eight FPSO/FSO/FSU conversion/integration projects and six specialised vessels in 2012. The total value of contracts secured for the year was \$9.9 billion, and the group ended the year with a net orderbook of \$12.8 billion.

GROUP AT A GLANCE

Keppel Offshore & Marine

Global leader in offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding.



Headquartered in Singapore, Keppel Offshore & Marine (Keppel O&M) integrates and harnesses the experience and expertise of 20 yards worldwide to optimise deployment of resources and effectively execute our *Near Market, Near Customer* strategy.

The head office serves two central functions, providing Operational Services including technology, design and development, engineering and procurement, as well as Corporate Services covering finance, legal, human resources, information services and corporate development.

Driven by innovation and a capable people with the *Can Do!* spirit, we strive to become a builder of distinction in every aspect of our business.

GROUP FOCUS FOR 2013/2014

Fortify core competencies

- Build on operational excellence and raise productivity levels to deliver projects safely, on time and within budget.

Leverage growth platforms

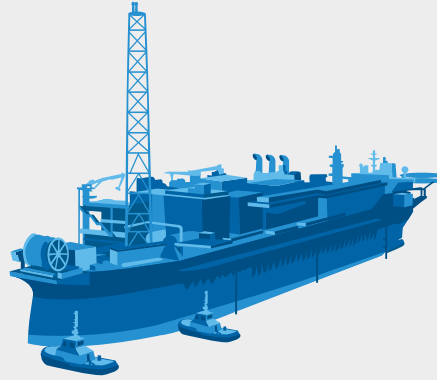
- Extend expertise to offer a wider range of products, solutions and services for the offshore and marine industry through research and development.

Harness global synergies

- Develop and draw on the collective strength of our global yards and offices to reinforce our *Near Market, Near Customer* strategy and deliver value to customers.

Increase business robustness

- Seek opportunities to strategically acquire or co-invest with partners in new capabilities and facilities, and enter into new markets.



Offshore

Leading designer, builder and repairer of high-performance mobile offshore rigs.



The Offshore Division, helmed by Keppel FELS, is a leading designer, builder and repairer of high-performance mobile offshore rigs.

The Division's portfolio of proprietary designs and floating production solutions meets a broad spectrum of operating requirements including deep waters and harsh environments.

With technology innovation and competent design and engineering capabilities, this Division offers viable, cost-effective and highly adaptable solutions for newbuilds and upgraded offshore units.

Marine

Trusted industry name for the repair, conversion and upgrade of a diverse range of vessels.



The Marine Division is led by Keppel Shipyard, the trusted industry name for the repair, conversion and upgrade of a diverse range of vessels.

Keppel Shipyard is a leader in the conversion of Floating Production Storage and Offloading; Floating Storage and Offloading; and Floating Storage Re-gasification Units. Its competencies include topside and turret fabrication.

With strong commitment to Health, Safety and Environment and an established reputation of reliability, flexibility and quality for complex projects with quick turnaround, the Division continues to deliver high value to its customers.

Specialised Shipbuilding

Designer and builder of a wide spectrum of highly specialised ships for a global clientele.



The Specialised Shipbuilding Division led by Keppel Singmarine, has a track record of some 400 newbuild vessels of diverse functions and sophistication.

Its customised vessels comprise Anchor Handling Tug/Supply vessels, multi-purpose offshore support vessels including pipelay vessels to highly advanced solutions such as ice-capable vessels.

Harnessing its suite of design and engineering solutions, strong logistics and infrastructure support in Singapore, this Division provides customers with one-stop value-added services.

BOARD OF DIRECTORS



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CHAIRMAN

Keppel Offshore & Marine Ltd
Keppel FELS Ltd
Keppel Shipyard Ltd
Keppel Land Limited
Keppel Energy Pte Ltd

CHIEF EXECUTIVE OFFICER

Keppel Corporation Limited



TONG CHONG HEONG

CHIEF EXECUTIVE OFFICER

Keppel Offshore & Marine Ltd

CHAIRMAN

Keppel Integrated Engineering Limited
Keppel FELS Brasil SA

SENIOR EXECUTIVE DIRECTOR

Keppel Corporation Limited



CHOW YEW YUEN

CHIEF OPERATING OFFICER

Keppel Offshore & Marine Ltd

CHAIRMAN

Keppel AmFELS, LLC
Keppel Offshore & Marine USA, Inc
Keppel Singmarine Pte Ltd

DEPUTY CHAIRMAN

Keppel FELS Brasil SA



STEPHEN PAN YUE KUO

CHAIRMAN

World-Wide Shipping Agency Limited,
Hong Kong



PROF MINOO HOMI PATEL

**PROFESSOR OF MECHANICAL
ENGINEERING AND DIRECTOR
OF DEVELOPMENT**

School of Engineering,
Cranfield University, UK



DR MALCOLM SHARPLES

PRESIDENT

Offshore Risk & Technology
Consulting Inc, USA

BOARD OF DIRECTORS



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ABU BAKAR MATTAR**

INDEPENDENT DIRECTOR

Hong Leong Finance Limited
Tiger Airways Holdings Limited



TAN EK KIA

CHAIRMAN

City Gas Pte Ltd
Star Energy Group Holdings Pte Ltd

**INDEPENDENT AND
NON-EXECUTIVE DIRECTOR**

Keppel Corporation Limited
Transocean Ltd

NON-EXECUTIVE DIRECTOR

SMRT Corporation Ltd



LIM CHIN LEONG

FORMER CHAIRMAN OF ASIA

Schlumberger



TEO SOON HOE

SENIOR EXECUTIVE DIRECTOR

Keppel Corporation Limited

CHAIRMAN

Keppel Telecommunications and
Transportation Ltd
M1 Limited



SIT PENG SANG

DIRECTOR

Keppel AmFELS, LLC



LOH CHIN HUA

CHIEF FINANCIAL OFFICER

Keppel Corporation Limited

CHAIRMAN

Alpha Investment Partners Limited

DIRECTOR

Keppel Shipyard Ltd
Keppel FELS Ltd
Keppel Energy Pte Ltd
Keppel Land Limited
Keppel Land China Limited

KEY PERSONNEL



OFFSHORE & MARINE

- 1. CHOR HOW JAT**
MANAGING DIRECTOR
(KEPPEL SHIPYARD)
- 2. WONG NGIAM JIH**
CHIEF FINANCIAL OFFICER
- 3. HOE ENG HOCK**
MANAGING DIRECTOR
(KEPPEL SINGMARINE)
- 4. TONG CHONG HEONG**
CHIEF EXECUTIVE OFFICER
- 5. WONG KOK SENG**
MANAGING DIRECTOR
(OFFSHORE & KEPPEL FELS)
- 6. CHOO CHIAU BENG**
CHAIRMAN
- 7. MICHAEL CHIA**
MANAGING DIRECTOR
(MARINE & TECHNOLOGY)
- 8. CHOW YEW YUEN**
CHIEF OPERATING OFFICER
- 9. LAI CHING CHUAN**
SENIOR GENERAL MANAGER
(CORPORATE DEVELOPMENT)
- 10. CHEE JIN KIONG**
EXECUTIVE DIRECTOR
(HUMAN RESOURCES)



1. JEFFERY CHOW
GENERAL MANAGER
(LEGAL)

2. ANTHONY TOH
SENIOR MANAGER
(GROUP SECURITY)

3. HO CHEOK YUEN
SENIOR GENERAL MANAGER
(SPECIAL PROJECTS)

4. JACOB TONG
GENERAL MANAGER
(INFORMATION SYSTEMS)

5. YONG CHEE MIN
GENERAL MANAGER
(PROJECTS AND HEALTH,
SAFETY & ENVIRONMENT)

6. KENNETH CHONG
ASSISTANT GENERAL
MANAGER (LEGAL)

COMPANY SECRETARY

7. EDMUND MAH
GENERAL MANAGER
(FINANCE)

8. FONG SWEE THENG
GROUP FACILITIES
MANAGER

9. DR LEE CHAY HOON
GENERAL MANAGER
(ORGANISATION
DEVELOPMENT)

KEY PERSONNEL



KEPPEL FELS

- 1. KEITH TEO**
GENERAL MANAGER
(MARKETING)
- 2. CHRIS ONG**
GENERAL MANAGER
(ENGINEERING)
- 3. WONG FOOK SENG**
EXECUTIVE DIRECTOR
(OPERATIONS)
- 4. MOHAMED SAHLAN
BIN SALLEH**
GENERAL MANAGER
(OPERATIONS)
- 5. WONG KOK SENG**
MANAGING DIRECTOR
- 6. AZIZ AMIRALI MERCHANT**
EXECUTIVE DIRECTOR
(ENGINEERING)
- 7. DAVID LEE**
FINANCIAL CONTROLLER
- 8. JAYAKUMAR K M
BALASINGAM**
ASSISTANT
GENERAL MANAGER
(COMMERCIAL)
- 9. LAM KHEE CHONG**
PROJECT DIRECTOR
(PROJECT MANAGEMENT)
- 10. YEO YUE NGIAP**
GENERAL MANAGER
(COMMERCIAL)
[Not in photo]

KEPPEL SHIPYARD

- TAN PENG PONG**
GENERAL MANAGER
(ENGINEERING & SYSTEMS
DEVELOPMENT)
- CHARLES SIM**
GENERAL MANAGER
(OFFSHORE PRODUCTION)
- LOUIS CHOW**
SENIOR GENERAL MANAGER
(COMMERCIAL)
- SPENCER LEONG**
GENERAL MANAGER
(DEVELOPMENT)
- CHOR HOW JAT**
MANAGING DIRECTOR
- MAH CHAN WAH**
GENERAL MANAGER
(COMMERCIAL –
SHIPREPAIR)
- MICHAEL CHIA**
MANAGING DIRECTOR
(MARINE)
- BURT LOH**
GENERAL MANAGER
(OPERATIONS)
- JIM LIM**
FINANCIAL CONTROLLER
- IVAN LIM**
ASSISTANT
GENERAL MANAGER
(OPERATIONS)
- CHIN SZE KIUN**
ASSISTANT
GENERAL MANAGER
(COMMERCIAL-SHIPREPAIR)



KEY PERSONNEL



KEPPEL SINGMARINE

- | | | |
|---|---|--|
| 1. DANIEL TOH
YARD MANAGER
(FACILITIES & DEVELOPMENT) | 4. TOH KO LIN
EXECUTIVE DIRECTOR | 7. LOH KEE HUAT
YARD MANAGER |
| 2. POON TAI LUM
GENERAL MANAGER
(COMMERCIAL/MARKETING) | 5. ALEX NEO
YARD MANAGER | 8. TAN CHENG HUI
SENIOR GENERAL MANAGER
(ENGINEERING) |
| 3. AU YEONG KIN HO
GENERAL MANAGER
(ENGINEERING) | 6. HOE ENG HOCK
MANAGING DIRECTOR | 9. CHIN LIK KIONG
SENIOR YARD MANAGER |

RESEARCH & DEVELOPMENT

1. **DR ASBJORN MORTENSEN**
SENIOR PROGRAMME
MANAGER (DRILLING/
CRITICAL EQUIPMENT),
KOMTECH
2. **AZIZ AMIRALI MERCHANT**
EXECUTIVE DIRECTOR
(DEEPWATER TECHNOLOGY),
KOMTECH

EXECUTIVE DIRECTOR,
DEEPWATER TECHNOLOGY
GROUP
3. **DR MATTHEW QUAH**
SENIOR PROGRAMME
MANAGER (OFFSHORE
STRUCTURES & ANALYSIS),
KOMTECH
4. **AU YEONG KIN HO**
GENERAL MANAGER,
MARINE TECHNOLOGY
DEVELOPMENT
5. **CHARLES FOO**
DIRECTOR/ADVISOR,
KOMTECH
6. **ANIS ALTAF HUSSAIN**
PROGRAMME DIRECTOR,
(DEEPWATER TECHNOLOGY),
KOMTECH

GENERAL MANAGER,
DEEPWATER TECHNOLOGY
GROUP
7. **MICHAEL CHIA**
MANAGING DIRECTOR
(TECHNOLOGY), KEPPEL O&M

MANAGING DIRECTOR,
KOMTECH
8. **CHARLES SIM**
TECHNICAL AND PROJECTS
DIRECTOR (FPSO AND
OFFSHORE PRODUCTION),
KOMTECH
9. **DR FOO KOK SENG**
EXECUTIVE DIRECTOR
(SHALLOW WATER
TECHNOLOGY), KOMTECH

EXECUTIVE DIRECTOR,
OFFSHORE TECHNOLOGY
DEVELOPMENT
10. **CHONG WEN SIN**
SENIOR PROJECT MANAGER
(OFFSHORE LNG
DEVELOPMENT/FPSO/
ENVIRONMENTAL
ENGINEERING), KOMTECH
11. **TAN CHENG HUI**
RESEARCH CONSULTANT
(SHIP & MARINE
TECHNOLOGY), KOMTECH

SENIOR GENERAL MANAGER,
MARINE TECHNOLOGY
DEVELOPMENT



KEY PERSONNEL



OVERSEAS MANAGERS

- 1. ABU BAKAR MOHD NOR**
NAKILAT-KEPPEL
OFFSHORE & MARINE LTD
- 2. CHANDRU SIRUMAL RAJWANI**
CASPIAN SHIPYARD
COMPANY LTD
- 3. POH LEONG KOK**
KEPPEL BATANGAS
SHIPYARD
- 4. TAN GEOK SENG**
KEPPEL AMFELS, LLC AND
KEPPEL OFFSHORE &
MARINE, USA, INC
- 5. LEONG KOK WENG**
KEPPEL SUBIC SHIPYARD, INC
- 6. MICHAEL HOLCOMB**
KEPPEL MARINE AGENCIES
INTERNATIONAL, LLC
(TEXAS, USA)
- 7. KWOK KAI CHOONG**
KEPPEL FELS BRASIL SA AND
ESTALERIO BRASFELS LTDA

OVERSEAS MANAGERS

1. **HAROLD LINSSEN**
KEPPEL VEROLME BV

2. **JOHN J. BAJOR**
KEPPEL MARINE AGENCIES
INTERNATIONAL, LLC
(NEW JERSEY, USA)

3. **EDMUND LEK**
KEPPEL NANTONG
SHIPYARD CO. LTD

4. **YICK PING WONG**
KEPPEL KAZAKHSTAN LLP

5. **TAN CHONG KEE**
KEPPEL SINGMARINE
BRASIL LTDA

6. **DAVID LOH**
BAKU SHIPYARD LLC

7. **JIMMY LOH**
ARAB HEAVY INDUSTRIES
PJSC



KEY PERSONNEL

OVERSEAS OPERATIONAL CENTRES

ARAB HEAVY INDUSTRIES PJSC

JIMMY LOH
Managing Director

CHAN LIM HONG
General Manager

PT BINTAN OFFSHORE

NAM YAU CHAI
General Manager

KEPPEL PHILIPPINES MARINE, INC

TOH KO LIN
President

STEFAN TONG
Executive Vice President

AGNES BARBARA L. LORENZO
Senior Vice President
(Finance & Administration)

KEPPEL BATANGAS SHIPYARD, INC

POH LEONG KOK
President

KEPPEL SUBIC SHIPYARD, INC

LEONG KOK WENG
President

FROILAN DELA CRUZ
Vice President
(Commercial & Marketing)

KEPPEL OFFSHORE & MARINE USA, INC

TAN GEOK SENG
President

TOMMY SAM
Vice President

CHEUNG TAK ON
Vice President (Technology)

KEPPEL AMFELS, LLC
TAN GEOK SENG
President & Chief Executive Officer

ERIC PHUA
Vice President (Commercial)

GILBERTO ELIZONDO
Vice President (Human Resources)

ALBERT GARCIA
Financial Controller

JUAN CRUZ
Vice President (Operations)

KEPPEL FELS BRASIL S.A.
KWOK KAI CHOONG
President & Chief Executive Officer

TOMMY SAM
Vice President

SIMON LEE
Vice President (Operations)

GILBERTO ISRAEL
Commercial Director

JERALD LEE
Chief Financial Officer

ALCEU MARIANO
Institutional Relations Director

LUIZ CAETANO
Operations Director

KARINA STOFF
Legal and HR Director

LOW TIAU TONG
Director (Special Projects)

LEWIS LIANG KUN
General Manager (Projects)

KEPPEL VEROLME BV
HAROLD LINSSEN
Managing Director

WONG WEI KEI
Chief Financial Officer

KEPPEL KAZAKHSTAN LLP
YICK PING WONG
General Director

ANIL KUMAR SULTAN
Executive Vice President

KOK BOON HENG
Assistant General Director

CHOW WAI HOONG
Chief Financial Officer

CASPIAN SHIPYARD COMPANY LTD
CHANDRU SIRUMAL RAJWANI
President

LAU KUAT PIN
Vice President

ELSHAN GURBANOV
Chief Financial Officer

KEPPEL NANTONG SHIPYARD CO. LTD
EDMUND LEK
President

WONG PHUAY CHENG
Vice President (Operations)

LI GANG
Vice President (Commercial)

BEN ANG
Vice President (Finance)

NAKILAT-KEPPEL OFFSHORE & MARINE LTD
ABU BAKAR MOHD NOR
Chief Executive Officer

ALBERT KEE
General Manager (Operations)

REGENCY STEEL JAPAN LTD
WONG CHUN YU
President

SHIGEYUKI HATANO
Chief Operating Officer

KEPPEL SINGMARINE BRASIL LTDA
HOE ENG HOCK
Executive Director

TAN CHONG KEE
General Manager

BAKU SHIPYARD LLC
DAVID LOH
General Manager

ENGINEERING/TECHNOLOGY CENTRES

KEPPEL OFFSHORE & MARINE TECHNOLOGY CENTRE PTE LTD

MICHAEL CHIA
Managing Director

DR FOO KOK SENG
Executive Director
(Shallow Water Technology)

AZIZ AMIRALI MERCHANT
Executive Director
(Deepwater Technology)

CHARLES FOO
Director/Advisor

CHARLES SIM
Technical & Projects Director
(FPSO and Offshore Production)

ANIS ALTAF HUSSAIN
Programme Director
(Deepwater Technology)

TAN CHENG HUI
Research Consultant
(Ship & Marine Technology)

DR MATTHEW QUAH
Senior Programme Manager
(Offshore Structures & Analysis)

DR ASBJORN MORTENSEN
Senior Programme Manager
(Drilling/Critical Equipment)

EDWIN NAH
Senior Programme Manager
(Offshore Structures & Analysis)

CHONG WEN SIN
Senior Project Manager
(Offshore LNG Development/FPSO/
Environmental Engineering)

OFFSHORE TECHNOLOGY DEVELOPMENT PTE LTD

DR FOO KOK SENG
Executive Director

LIM TENG KIAT
General Manager

DEEPWATER TECHNOLOGY GROUP PTE LTD

AZIZ AMIRALI MERCHANT
Executive Director

ANIS ALTAF HUSSAIN
General Manager

MARINE TECHNOLOGY DEVELOPMENT PTE LTD

TAN CHENG HUI
Senior General Manager

AU YEONG KIN HO
General Manager

BLUE OCEAN SOLUTIONS PTE LTD
DR JERRY NG
Chief Executive Officer

BENNETT & ASSOCIATES, LLC
TOMMY SAM
President & Chief Executive Officer

FLOATEC, LLC
ERIC H. NAMTVEDT
President

KEPPEL FELS BALTECH LTD
LYUDMIL STOEVI
General Manager

IVAN PETROV PELOV
Senior Engineering Manager

KEPPEL FELS ENGINEERING SHENZHEN CO. LTD

HO JONG HENG
General Manager

KEPPEL FELS OFFSHORE & ENGINEERING SERVICES MUMBAI PTE LTD

SYED AHAMED KABEER
General Manager

REPRESENTATIVE OFFICES

KEPPEL MARINE AGENCIES INTERNATIONAL, LLC
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President/Director, Texas

JOHN J. BAJOR
Director, New Jersey

KEPPEL PRINCE ENGINEERING PTY LTD

CHARLES CHIAM
Director

MARINE SERVICES

ASIAN LIFT PTE LTD
JOHN CHUA
General Manager

KEPPEL SMIT TOWAGE PTE LTD
BEN CHEW
General Manager (Regional)

JERRY WONG
General Manager

EMPLOYEE UNIONS

KEPPEL EMPLOYEES UNION
RAZALI BIN MAULOD
President

MOHD YUSOF B MOHD
General Secretary

KEPPEL FELS EMPLOYEES UNION
VINCENT HO MUN CHOONG
President

ATYYAH HASSAN
General Secretary

SHIPBUILDING & MARINE ENGINEERING EMPLOYEES UNION
WONG WENG ONG
President

EILEEN YEO CHOR GEK
Assistant General Secretary

MAH CHEONG FATT
Executive Secretary

GOH SOR IMM
Deputy Executive Secretary

SHAPING THE FUTURE

We will strengthen our core and invest for growth to create added value to our stakeholders.



Delivering sterling results and value to our stakeholders will continue to drive our growth into the future.

We will pursue our *Near Market, Near Customer* strategy alongside developing technological innovations in our processes and offerings. As a responsible member of the community, with focus on Health, Safety and Environment, we will further enhance the capabilities of our human capital, and raise productivity and efficiency across all our operations worldwide.



Deputy Prime Minister of Singapore, Mr Tharman Shanmugaratnam (first row, third from left), was Guest of Honour of the 10th anniversary celebrations of Keppel O&M, held in Singapore on 26 November 2012 at Gardens by the Bay.

10 YEARS OF EXCELLENCE

Keppel Offshore & Marine turned 10 in 2012. We celebrated this milestone by thanking our customers and industry partners for their support in spurring the group's growth. Even as we mark our successes, we keep our eye on the future. The group is constantly evolving to better address tomorrow's challenges.

It has been 10 years since Keppel's offshore and marine business units were brought together under one roof to create Keppel Offshore & Marine (Keppel O&M).

The global group's growth and performance over the last decade demonstrates that the decision to integrate has been the right one. Our coming together has optimised synergies, streamlined operations as well as eliminated duplicities and internal competition. These not only benefited us, but also created value for our customers and business partners in more ways than one.

Today, Keppel O&M provides a comprehensive suite of offshore and marine services through its network of 20 yards worldwide spanning the Asia Pacific, Gulf of Mexico, Brazil, the Caspian Sea, the Middle East and the North Sea regions.

The group is also backed by an impressive delivery track record. Keppel O&M designed and built

50% of the jackups and 30% of the semisubmersibles (semis) that have entered the global market in the last decade.

In addition, to-date, Keppel Shipyard – our ship repair and conversion arm in Singapore – has completed more than 100 offshore conversion and upgrading projects, while Keppel Singmarine – our shipbuilding unit in Singapore – has completed some 400 newbuilds.

Through our strong execution capabilities, we have consistently ensured safe, prompt and efficient turnarounds for our customers. Testament to the market's growing trust and confidence in us, our revenue has increased from \$1.89 billion in 2002 to \$7.96 billion in 2012, while our Economic Value Added has reached \$707.7 million in 2012, up from \$20.2 million in 2002.

SPECIAL FEATURE



The KFELS B Class jackup, a Keppel FELS hallmark design, gained wide market acceptance over the years and as at March 2013, a total of 41 rigs of this design have entered the market.

Our investments to enhance our suite of proprietary designs have paid off. Our designs have gained wide market acceptance – 41 KFELS B Class jackups and three KFELS N Class jackups as well as 16 semis built to our proprietary designs have entered the market as at March 2013. In addition, 41 newbuild orders secured from the fourth quarter 2010 to March 2013 are for Keppel-designed jackups or semis.

Mr Choo Chiau Beng, Chairman of Keppel O&M said, “While we have made significant progress as a group, we will not rest on our laurels. To sustain our growth into the future, our workforce of 34,000 Keppelites will continue to work relentlessly to enhance our capabilities, strengthen our global networks and enhance our suite of proprietary solutions.”

NEAR MARKET, NEAR CUSTOMER

Committed to provide quality services wherever our customers might need them, Keppel O&M has built up a cohesive global network of yards with strong capabilities. With this network, we are well-placed to deliver cost-effective, state-of-the-art offshore and marine solutions and meet local content requirements.

Mr Tong Chong Heong, CEO of Keppel O&M, elaborated, “Pursuing our *Near Market, Near Customer* strategy, we are present in almost all major oil producing regions in the world today. Our customers in these various markets enjoy the convenience of working with our local teams, yet still benefit from the experiences of our global network, including our flagship yards in Singapore.”

TOASTING TO 10

2012 was a year of celebrations for Keppel O&M. The group kicked off the anniversary year with a cocktail party in Houston, Texas, the US, on 1 May 2012, in conjunction with the Offshore Technology Conference. Customers, business and industry partners from around the world joined the celebration and offered their well-wishes to the group.

On 9 September 2012, Keppelites banded together and organised the Keppelites Charity Concert to raise funds for the needy as part of the group’s efforts to share the fruits of its success with the community. Proceeds from the sale of concert tickets were pledged to the Association for Persons with Special Needs (APSN) and The Straits Times School Pocket Money Fund.

We concluded the anniversary activities for the year with a party in Singapore on 26 November 2012.

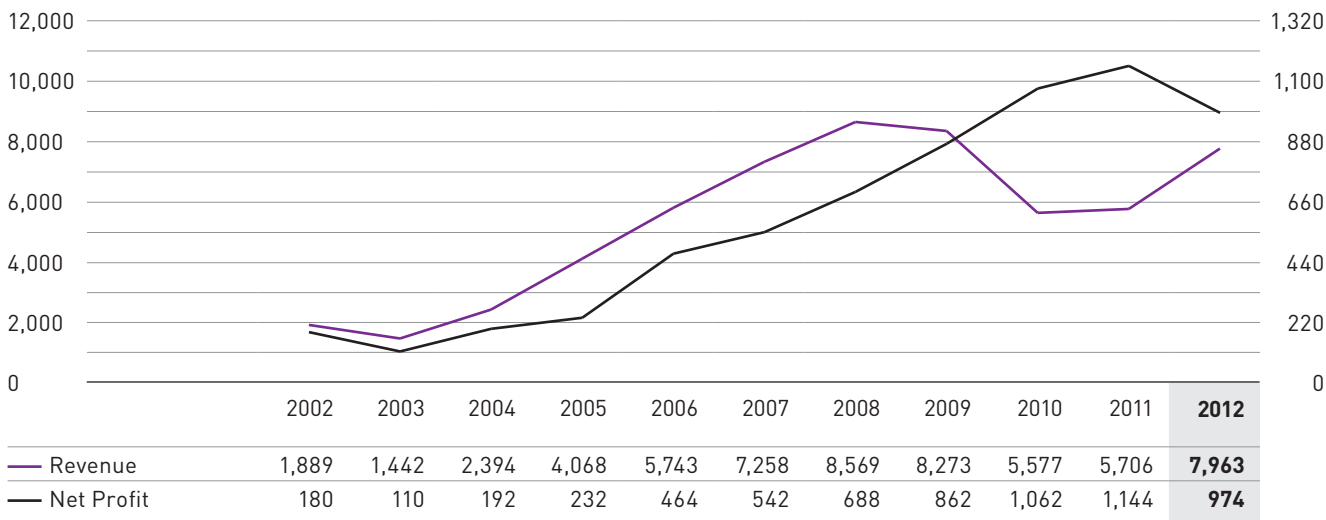


At Keppel O&M’s 10th anniversary party held during the Offshore Technology Conference (OTC) in Houston on 1 May 2012, the Board of Directors and Senior Management of Keppel Corporation and Keppel O&M toasted to the continued strong partnership with their customers.

Deputy Prime Minister of Singapore, Mr Tharman Shanmugaratnam, was the Guest of Honour for this reception, which took place at Gardens by the Bay. Apart from customers and business partners, the event was well-attended by Keppel O&M’s past and present board members, all of which had a big hand in charting the group’s success.

Addressing the attendees of the party, Mr Tong Chong Heong, CEO of Keppel O&M, shared, “We would not be where we are today without the confidence and support of all our stakeholders. I look forward to many win-win collaborations with all of you. May we continue to scale greater heights together.”

Keppel Offshore & Marine's Revenue and Net Profit since 2002 (\$ million)



In 2012, Keppel Shipyard and Keppel Singmarine jointly completed for Saipem S.p.A. (Saipem) the world's largest pipelay vessel, Castorone, while Keppel Verolme in the Netherlands delivered to Saipem a semi upgrading project, Scarabeo 6.

As another example of Keppel's multinational relationship with its customers, Keppel FELS delivered its seventh ENSCO 8500 Series® semi to Ensco PLC (Ensco) during 2012, while Nakilat-Keppel Offshore & Marine (N-KOM) in Qatar completed for Ensco a rig repair project.

In addition, teamwork among our yards worldwide enable systematic knowledge transfers, which have contributed to the strong development of our yards such as BrasFELS in Angra dos Reis, Brazil, and N-KOM.

Established by Keppel O&M in 2000, BrasFELS has grown into the most comprehensive shipyard facility in Latin America. The partnership between Keppel FELS and BrasFELS on the Floating Production Units (FPU) P-52 and P-51 paved the way for BrasFELS to undertake on its own P-56, which has 73% local content and is the first 100% made-in-Brazil FPU.

BrasFELS is also working with Keppel Shipyard to provide quality



Gracing the naming of the floating production unit, P-56, on 5 June 2011, was Brazilian President Dilma Rousseff (centre), who was joined by (from left) Mr Chow Yew Yuen, COO of Keppel O&M, Mr Helio Azevedo, President of the workers union of Angra, Mr Kwok Kai Choong, President and CEO of Keppel FELS Brasil, and Mr Luiz Sergio Oliveira, Institutional Affairs Minister of Brazil.

conversion services. After pre-conversion at Keppel Shipyard, the Floating Production Storage and Offloading (FPSO) unit, P-57, called on BrasFELS, which fabricated and integrated its topside modules, piping and electrical equipment. This project was delivered to high customer satisfaction in 2010. An ongoing FPSO project between the two yards is FPSO Cidade de Paraty – previously at Keppel Shipyard for hull conversion, the FPSO is now in

BrasFELS for the installation and integration of its topsides.

As at the end of 2012, BrasFELS had on its orderbook six DSS™ 38E semi contracts from Sete Brasil and four FPSO projects, two of which are from Petrobras, one from MODEC and Toyo Offshore Production Systems Pte Ltd (MTOPS) and one from SBM Offshore.

Over in Qatar, N-KOM was named Shipyard of the Year at the *Lloyd's List*

SPECIAL FEATURE

Awards 2012, Middle East and Indian Subcontinent event, and conferred the Ship Repair/ Shipyard Award at the *Seatrade Middle East & Indian Subcontinent Awards 2012* event. These accolades, presented to the yard just two years after its official inauguration, bear testament to the yard's commitment towards service excellence.

Presently, N-KOM's strong delivery track record comprise more than 50 liquefied natural gas (LNG) carrier repair projects as well as seven rig repair and upgrading projects for Gulf Drilling International, Rowan Companies and Ensco.

Even as we enhance our existing yards, we are also looking into extending our global network. Mr Chow Yew Yuen, COO of Keppel O&M, noted, "We have a presence in nearly all regions with major exploration and production (E&P) activities. E&P in Africa and Mexico has been gaining momentum, and we are following developments there closely. We have been serving these two regions with our existing yards. When the time is right, we hope to further establish ourselves in those markets."

SHARPENING TECHNOLOGY EDGE

The industry's preference for high-specification rigs and new field developments in ultra deepwaters and harsh environments mean that solutions providers have to push the technology envelope. Against this backdrop, Keppel O&M is working to enhance its suite of proprietary solutions and grow its technology capabilities to stay ahead of the curve.

Technology and innovation have long played a key part in Keppel O&M's success. Our proprietary designs have gained wide market-acceptance and are the industry's benchmarks for high performance rigs.

In April 2012, Keppel O&M paved the way for a more technological-driven business by establishing the Technology Division. This Division brings together the group's research and development (R&D) and

technology commercialisation units for more concerted activities.

The Division's R&D efforts are led by Keppel Offshore & Marine Technology Centre (KOMtech). Today, it looks into designs for Arctic jackups, harsh environment semis, tension leg platforms and next generation drillships. It is also working on offshore wind solutions, LNG applications and environmental solutions for the offshore oil and gas industry.

Apart from Singapore, Keppel O&M has a technology foresight centre in the Netherlands, KOMtech Europe, and is in the process of setting up KOMtech Brazil and KOMtech USA.

Mr Michael Chia, MD (Marine & Technology) of Keppel O&M, explained, "These centres will help us stay on the pulse of the technological needs of Europe and the Americas. They will also facilitate our R&D collaborations with industry and academic institutes in these regions.

Gathering the inputs of our customers as well as industry and academic institutions are core to our conceptualisation and commercialisation process. In partnership with ConocoPhillips, KOMtech is designing a first-of-its-kind, ice-worthy jackup for the Arctic Seas.

In addition, Keppel O&M, KOMtech, FloaTEC and the National University of Singapore have formed a consortium, f(K)^N, to explore solutions for the development of Brazil's offshore fields. The consortium will also be seeking R&D collaborations with Brazilian institutes and universities.

Besides developing market relevant designs, Keppel O&M is also tapping innovations and technological advancements to enhance its processes and productivity. KOMtech Shipyard Technology Group, a unit under the Technology Division, is assisting Keppel's global yards in enhancing their processes and productivity. It is also supporting the dissemination of best practices and

application of advanced technologies through research and development.

Mr Chow Yew Yuen noted, "Market-relevant proprietary solutions make our services more attractive, while enhancements to processes and efficiency make us more cost competitive. The net impact is more robust operations."

FORTIFYING OUR GLOBAL WORKFORCE

The growth of our global footprint as well as technological lead will ultimately rest on our dynamic, results-driven workforce. In line with this, we take on promising recruits, and nurture them with challenging assignments, international projects and classroom training.

Over the years, Keppel O&M has invested significantly to enhance the skills and knowledge of our global workforce. The training and development programmes attended by our employees span from technical skills courses to leadership and people management workshops. In addition, Keppel encourages employees to pursue further studies by offering scholarships to those with strong work performance and high potential.



The collaboration between KOMtech and ConocoPhillips in this first-of-its kind Arctic jackup design project aims to achieve significant breakthroughs for offshore drilling in the Arctic region.

High potential employees are groomed through Keppel O&M's leadership and managerial programmes which seek to help employees develop a multi-faceted understanding of the group's business.

There is also an active transfer of knowledge and expertise among our global workforce, through training stints or attachments. Leadership and core values workshops are regularly conducted for overseas employees so that their managerial and other relevant skillsets are aligned with those required across the group.

In addition, the knowledge and experience of our employees are grown through active efforts to retain experienced employees and provide platforms for senior members to mentor junior members.



Employees at Keppel Singmarine Brasil pledge their commitment to uphold the Keppel O&M core values of a *Can Do!* spirit, customer focus, commitment to safety, accountability to stakeholders, integrity, innovation and learning, a global mindset, and people development and teamwork.

The future will see the search for oil and gas reaching deeper waters and harsher environments as well as rising demands for safer, more efficient and environmentally friendly offshore and marine solutions. These trends will present

extreme challenges for the industry. Nonetheless, we are certain that our people, committed to a customer-focused approach and the pursuit of excellence, will be able to meet these challenges and so meet the needs of the global energy industry.

MORE EFFICIENT DELIVERIES



Continual productivity and process improvements are enabling Keppel FELS to deliver 20 rigs in 2013. The first delivery of the year was a KFELS B Class jackup for Dynamic Offshore Drilling.

Reaping the benefits of integration as well as facilities and process improvements over the years, Keppel O&M is expected to deliver an unprecedented 22 rigs in 2013. Out of these, 20 rigs will be delivered by Keppel FELS, a feat rarely achieved by a single yard in the world.

Mr Wong Kok Seng, MD (Offshore) of Keppel O&M and MD of Keppel FELS,

said, "We expect to deliver the 20 rigs this year on time or ahead of time and safely. Our ability to do so is due to two main factors; the continuous productivity improvements we have implemented in the yard; and the fact that the majority of the rigs being built are to our proprietary designs."

Through years of developing offshore and marine solutions for the industry,

Keppel O&M is able to constantly improve on its production processes. Keppel's yards are organised like a production line, where parts of the rigs are moved easily from one production stage to another.

Continual yard upgrades and skills training also enable overseas satellite yards in China, the Philippines and Bintan in Indonesia to take on more projects and at the same time, better support the work of the Singapore yards.

"Systematic transfers of knowledge, skills and systems from Keppel O&M's yards in Singapore to our overseas units ensure all our operations provide the same quality and efficient services. With strong competencies and good teamwork between our yards, demanding delivery schedules are achievable," added Mr Wong.

SPECIAL FEATURE

KEPPEL OFFSHORE & MARINE JOURNEY OF GROWTH MILESTONES: 1968-2012

1968

Dockyards Department of the Port of Singapore Authority is corporatised and named Keppel Shipyard (Pte) Ltd.

1971

Keppel Shipyard acquires a 39% stake in Far East Levingston Shipbuilding Ltd (FELS) and enters the rigbuilding business.

1973

Keppel Shipyard increases its stake in FELS to 61.9%.

1974

FELS delivers its first semisubmersible drilling rig, Penrod 74.

1975

Keppel Philippines Shipyard is set up in Batangas.

1976

Keppel Shipyard acquires Singmarine Shipyard.

1977

Keppel Shipyard's Tuas Yard becomes operational.

1980

Keppel Shipyard is listed on the Singapore Stock Exchange.

1981

Keppel Shipyard carries out its first Floating Production Storage and Offloading (FPSO) conversion, FPSO II.

1983

Singapore Slipway builds two of its first Anchor Handling Tug/Supply (AHTS) vessel.

1985

FELS and Smit International SEA form a joint venture company, Asian Lift, to provide heavy lift services.

1986

Keppel Shipyard is renamed Keppel Corporation, with Keppel Shipyard as a major operating division.

FELS salvages the old Mitsubishi shiprepair yard and converts it into an offshore rigbuilding yard.

1987

Singmarine Industries is listed on the Singapore Stock Exchange after the merger of Singmarine Shipyard and Singapore Slipway.

1988

Keppel Shipyard acquires Cebu Shipyard & Engineering Works (which ceased operation in 2012).

1989

FELS delivers its first Tension Leg Wellhead Platform.

1990

FELS acquires 60% interest in AmFELS, a shipyard in Brownsville, Texas, the US.

Keppel Shipyard repairs one of its first liquefied natural gas (LNG) carriers.

1991

Keppel Group and Smit Tak Towage & Salvage form a 51/49 joint venture, Keppel Smit Towage, to provide harbour tug services.

Keppel Group acquires a 20% stake in Arab Heavy Industries, a shipyard in United Arab Emirates.

1992

AmFELS becomes a wholly-owned subsidiary of FELS.

1994

Offshore Technology Development is set up.

FELS builds its first semisubmersible drilling tender, West Pelaut.

FELS delivers its first semisubmersible floating production platform, P-18.

1995

Second shipyard in the Philippines was set up. Keppel Shipyard acquires Subic Shipyard & Engineering with Filipino and Japanese partners.

1997

FELS is renamed Keppel FELS.

Caspian Shipyard Company in Baku, Azerbaijan is set up in partnership with the national oil company SOCAR.

Singmarine Industries is renamed Keppel Marine Industries.

Keppel FELS bought the KFELS MOD V rig design, which evolved into the KFELS B Class design today.

1999

Hitachi Zosen completes its acquisition of Keppel Shipyard and is renamed Keppel Hitachi Zosen (KHZ).

Keppel FELS Energy & Infrastructure (KFEI) is formed from the merger of Keppel FELS and Keppel Integrated Engineering. Keppel FELS becomes the offshore subsidiary of KFEI.

2000

Keppel FELS enters Brazil through 60/40 joint venture with Pem Setal Group to set up a shipyard, FELS Setal, in Brazil.

Keppel FELS builds the first KFELS B Class jackup rig, Chiles Discovery (later renamed ENSCO 104).

2001

Keppel FELS and its parent company become wholly-owned subsidiaries of Keppel Corporation.

Keppel Corporation announces plans to restructure KHZ and Keppel FELS to create a global offshore and marine group.

2002

KHZ is privatised and renamed Keppel Shipyard, which becomes a wholly-owned subsidiary of Keppel Corporation.

Keppel Offshore & Marine (Keppel O&M) is officially launched on 1 May following the integration of Keppel FELS and Keppel Shipyard.

Keppel O&M completes its acquisition of Dutch offshore shipyard, Verolme Botlek. The Yard is renamed Keppel Verolme.

Deepwater Technology Group is established.

Keppel Offshore & Marine USA is set up in Houston, Texas.

2003

Keppel Kazakhstan, a yard in Aktau City, is established.

Marine Technology Development is set up.

2004

AmFELS is renamed Keppel AmFELS.

2005

FELS Setal becomes a wholly-owned subsidiary of Keppel O&M, and is renamed Keppel FELS Brasil.

Keppel O&M acquires a shipyard in Nantong, China.

Keppel FELS and J. Ray McDermott set up FloaTEC, LLC, to look into offshore production systems.

2006

Keppel FELS establishes a joint venture facility, Bintan Offshore Fabricators, on Bintan Island, Indonesia.

Offshore & Marine ASA becomes a wholly-owned subsidiary of Keppel O&M, and is renamed Keppel Norway (which was divested by Keppel Corporation in 2012).

2007

Keppel O&M establishes Keppel Offshore & Marine Technology Centre (KOMtech).

Keppel Singmarine receives its first newbuild order for a pipelaying vessel.

Keppel FELS Brasil's yard in Angra dos Reis, BrasFELS, delivers P-52, Brazil's first Floating Production Unit (FPU).

2008

20th KFELS B Class jackup, Ocean Shield, is delivered.

Keppel Singmarine delivers Asia's first two icebreakers for the Arctic.

Petrobras received a second FPU, P-51 from Keppel.

Maersk Developer, the first of three DSS™21 semis, is delivered.

2009

Keppel Singmarine delivers first ice-class Floating Storage and Offloading (FSO) unit for the Caspian Sea.

Development Driller III, the first DSS™ 51 semi, is delivered to Transocean.

First DSS™38 semi is delivered to Queiroz Galvão Oleo e Gás.

2010

Keppel Singmarine Brasil, a shipbuilding yard, is set up in Navegantes, Santa Catarina, Brazil.

Keppel Singmarine establishes a joint venture shipyard with SOCAR in Baku, Azerbaijan.

Keppel Singmarine delivers the first of two new generation derrick pipelay vessels to Global Industries.

Keppel O&M opens the first-of-its-kind safety training centre in Singapore.

The world's first two North Sea-compliant accommodation semis are delivered to Floatel.

FloaTEC secures contract to build and operate the P-61 Tension Leg Wellhead Platform.

Keppel O&M completes the conversion of FPSO P-57, one of the largest FPSOs for Petrobras.

First of three KFELS N Class rigs is delivered to Rowan Companies.

Nakilat-Keppel Offshore & Marine, a joint venture between Nakilat (Qatar Gas Transport Company) and Keppel O&M, is officially inaugurated.

2011

Keppel Shipyard strengthens topside capabilities with a stake in Dyna-Mac.

Keppel FELS delivers its seventh semisubmersible drilling tender (SSDT) to Seadrill and its first SSDT to PV Drilling.

P-56, first FPU to be completely built in Brazil, is delivered to Petrobras.

2012

KOMtech and ConocoPhillips collaborate to jointly design first-of-its-kind ice-worthy jackup rig.

Technology Division is formed. It comprises Keppel O&M's new and existing R&D and technology units as well as process and productivity improvement arms.

Keppel O&M secures contract to build six DSS™38E semis for Brazil.

Keppel FELS delivers its first offshore wind turbine installation vessel, Seafox 5.

Keppel FELS delivers seventh ENSCO 8500 Series® semi.

Keppel FELS delivers first two jackups for the Black Sea to Ukraine.

Keppel Kazakhstan secures order for the country's first newbuild jackup.

Keppel Subic Shipyard secures order from Shell to build a depletion compression platform.

Keppel Singmarine secures contract to develop MTD DLV2000, a high-specification pipelay vessel, for a McDermott International subsidiary.

OPERATIONS REVIEW & OUTLOOK

Our focus on strengthening our core competencies and our *Near Market, Near Customer* strategy have placed us in a good position to continue to forge ahead in the increasingly competitive global market



2012 marked another year of successful deliveries and healthy contract wins for Keppel Offshore & Marine (Keppel O&M). With expectations of a recovering global economy, coupled with a sustained level of high oil prices throughout the year, our business units around the world achieved steady growth and creditable performance. Collectively, they delivered seven rigs, eight FPSO/FSO/FSU conversion/upgrade/integration projects and six specialised vessels, among other repair, upgrade and completion projects in 2012.

Committed to deliver on our promises with our hallmark execution excellence and a *Can Do!* spirit, Keppel O&M was entrusted by customers worldwide

with new contracts worth a total of close to \$10 billion with deliveries stretching into 2019. As at end 2012, our net orderbook stood at \$12.8 billion.

OFFSHORE **KEPPEL FELS**

Keppel FELS continued to be busy with projects in 2012. During the year, the company delivered seven rigs on time, within budget and without incidents. They include the ENSCO 8505 and ENSCO 8506 semisubmersibles (semi), the last two of seven semis built for EnSCO, and four KFELS B Class jackups, one each to Chernomornaftogaz of Ukraine, Oro Negro of Mexico, Safin Gulf FZCO and Saudi Aramco. Keppel FELS also delivered its

first offshore wind installer, the KFELS multi-purpose self-elevating platform (MPSEP) vessel, the Seafox 5, to Seafox Group. Seafox 5 is successfully operating in the DanTysk wind farm in the German sector of the North Sea.

With a suite of proven proprietary designs and a good execution track record, Keppel FELS secured repeat orders from customers like Maersk and Floatel in 2012. Maersk awarded the third Gusto MSC CJ70 ultra harsh environment jackup contract to the company, while Floatel placed an order for its fourth DSS™20NS Dynamic Positioning (DP) 3 accommodation semi. In addition, Petroleos Mexicanos,

or PEMEX, Mexico's national oil company, entrusted Keppel FELS with a contract to build two KFELS B Class jackups.

Despite the significant workload during the year, Keppel FELS remains focused in the area of Health, Safety and Environment (HSE). At the 2012 Workplace Safety and Health (WSH) Awards organised by Singapore's WSH Council, Keppel FELS garnered a total of 12 awards for its excellent project safety performance.

In addition, as a reflection of Keppel FELS' design excellence, Seadrill's West Pelaut, a semisubmersible drilling tender (SSDT) designed and built by Keppel FELS in 1994, has once again been awarded the "Best Performing Rig of the Year 2012" by Shell World Wide in the "Platform/Tender" category. The SSDT West Pelaut has won this accolade from Shell four times before in 2004, 2006, 2009 and 2010.

KEPPEL AMFELS

2012 was a positive year for Keppel AmFELS. The yard repaired and refurbished a number of rigs, including Cecil Provine for Rowan Companies, as well as Noble Sam Noble and Noble Tom Jobe for Noble Drilling. It also docked a derrick barge, a DP diving saturation vessel, and a multi-purpose service vessel for Cal Dive International.

During the year, Keppel AmFELS secured a contract from Diamond Offshore to upgrade a deepwater semi. Its long standing customer Perforadora Central ordered a second LeTourneau Super 116E jackup, for delivery in the first quarter of 2014.

1 As the most established offshore and marine facility in Latin America, Keppel FELS Brasil's BrasFELS yard in Angra dos Reis has been entrusted by customers with \$6.5 billion worth of new orders in 2012.

2 Celebrating the naming of Saudi Aramco's Super B Class jackup rig, SAR 202, was Mr Chow Yew Yuen, COO of Keppel O&M (second from left) with Mr Khaled Al-Buraik (centre, seated), Vice President, Drilling and Workover, Saudi Aramco as well as the Keppel FELS and Saudi Aramco teams.

Major Orders Secured by Keppel O&M in 2012

Business Unit	Contract	Customer
1Q		
Keppel AmFELS	Ocean Onyx semi - construct and upgrade	Diamond Offshore
Keppel AmFELS	LeTourneau Super 116E jackup	Perforadora Central
Keppel Shipyard	FPSO Xikomba - refurbishment and upgrade	SBM Offshore
Keppel Shipyard	FPSO Armada Claire - modification and upgrade	Bumi Armada
2Q		
Keppel FELS	Gusto MSC CJ70 jackup	Maersk Drilling
Keppel AmFELS	Sedco 707 semi - upgrade	Transocean
3Q		
Keppel O&M	Five DSS™38E semis	Sete Brasil
Keppel FELS Brasil	FPSO P-66 - module fabrication and integration	Guara BV (Petrobras)
Keppel FELS Brasil	FPSO P-69 - module fabrication and integration	Tupi BV (Petrobras)
Keppel FELS Brasil	FPSO Cidade de Mangaratiba - module fabrication and integration	MTOPS
Keppel FELS	DSS™ 20NS floating accommodation semi	Floatel
Keppel Kazakhstan	KFELS B class jackup	Teniz Burgylau
Keppel Shipyard	Two FPSO conversion contracts	PTSC Asia Pacific, Perenco
4Q		
Keppel FELS	Two KFELS B Class jackups	PEMEX
Keppel Verolme	Deepwater construction vessel Balder-drydocking survey	Heerema Marine Contractors
Keppel Subic Shipyard	Depletion Compression Platform	Shell Philippines Exploration
Keppel Singmarine	Deepwater S-Lay Vessel	McDermott International
Keppel Shipyard	FPSO Lewek Arunothai - upgrade	EMAS Offshore
Keppel Singmarine	Diving Support Vessel	Bhagwan Marine



OPERATIONS REVIEW & OUTLOOK

The first jackup for Perforadora Central is under construction at the yard and is expected to be delivered in the second quarter of 2013. Other projects in progress include the refurbishment and upgrading of Sedco 707 for Transocean.

Leveraging its execution track record, Keppel AmFELS continues to position itself as the preferred solutions provider to customers seeking to renew or upgrade their fleets in the Gulf of Mexico region.

KEPPEL FELS BRASIL

Keppel FELS Brasil's BrasFELS yard saw an active year in 2012 with a record number of new orders

worth a total of \$6.55 billion, while it delivered a number of projects.

On the projects completed during the year, a significant achievement was the FPSO Cidade de Sao Paulo, which was completed 19 days ahead of schedule in November 2012, and without any lost time incident. It is the first of the two FPSO projects BrasFELS is undertaking for Modec and Toyo Offshore Production Systems Pte Ltd (MTOPS) in 2012. In addition to the US\$2 million bonus awarded by MTOPS for the early delivery of FPSO Cidade de Sao Paulo, BrasFELS was also awarded R\$350,000 for its excellent safety performance.

Other projects which BrasFELS had successfully completed in 2012 are the repair jobs for Floatel, Diamond, Noble, and Ensco.

Following the first DSS™38E semi contract award in end 2011, five additional orders for the same semi design were placed by Sete Brasil in August 2012. The first DSS™38E semi achieved the strike steel milestone at BrasFELS in July 2012.

In the same month as the award of the five DSS™38E semis, Keppel FELS Brasil clinched two contracts from the Petrobras-led consortiums, Guara BV and Tupi BV, for the fabrication and integration of topside modules for the

PREFERRED PROVIDER FOR MEXICO

Keppel FELS is fast becoming the preferred provider of drilling solutions to Mexico after delivering a jackup drilling rig and securing a contract to build two additional rigs for the country in late 2012.

It also secured an order for four Jackup rigs from Mexican drilling company, Grupo R, in March 2013.

On 4 December 2012, Keppel FELS delivered Primus, a KFELS B Class jackup rig, to offshore Mexican oil field services company, Integradora de Servicios Petroleros Oro Negro (Oro Negro), seven days early and with a perfect safety record. Primus is the first of two rigs by Keppel FELS for Oro Negro. It is also Oro Negro's first jackup rig and is suited for deployment in various parts of the world including the Gulf of Mexico.

Separately, PEMEX Exploracion y Produccion, a subsidiary of Mexico's national oil company, Petroleos Mexicanos (PEMEX), has placed an order for two KFELS B Class jackup

rigs. When completed in 1Q 2015, the two rigs will join the list of KFELS B Class jackup rigs already built by Keppel for its Mexican customers. This includes the Primus jackup rig as well as the Tonala rig operated by Peforadora Central.

Mr Wong Kok Seng, MD (Offshore) of Keppel O&M and MD of Keppel FELS, said, "We are seeing more enquiries from Mexico for new rigs and we believe our KFELS B Class jackup design is well suited to meet the requirements of the Mexican market. Together with our Keppel AmFELS yard in Brownsville, Texas, we aim to boost our track record and establish ourselves as the foremost provider of drilling solutions in Mexico."

PEMEX is the world's fourth-largest crude producer at 2.5 million barrels per day. The national oil company expects to continue to invest in E&P activities and has estimated that they will require 40 rigs eventually operating in Mexican waters.



Mexican Ambassador, H.E. Antonio Villalobos (third from left) and Mr Gonzalo Gil-White (third from right), Co-CEO of Oro Negro, celebrate the naming of the KFELS B Class jackup rig, Primus.



- 1 Ms Maria das Gracas Silva Foster (fourth from right), President and CEO of Petrobras, giving the thumbs up to BrasFELS during a visit to BrasFELS yard in November 2012 to obtain an update from Kwok Kai Choong (third from right), President and CEO of Keppel FELS Brasil on the projects being executed at the yard.
- 2 Reinforcing its track record for successful deliveries, BrasFELS delivered FPSO Cidade de Sao Paulo 19 days ahead of schedule and with zero lost time incident to Modec and Toyo Offshore Production Systems (MTOPS).



OPERATIONS REVIEW & OUTLOOK

Replicante FPSO units P-66 and P-69. The yard also secured a repeat order from MTOPS to carry out module fabrication and integration works for FPSO Cidade de Mangaratiba. The construction phase of this FPSO project has started.

BrasFELS is currently completing the integration works for FPSO Cidade de Paraty, the second FPSO conversion project for SBM Offshore after the successful delivery of the first FPSO P-57 in 2010. The yard is also commencing construction of the first Replicante FPSO, P-66.

CASPIAN SHIPYARD COMPANY

In the first quarter of 2012, Caspian Shipyard Company (CSC) received a US\$500,000 early completion bonus

for completing the ex-West Juno jackup leg reinstatement work one month ahead of schedule. Reflecting Keppel O&M's collective strength, the job was undertaken jointly between CSC and Keppel FELS at the Giresun Yard, Turkey for Chernomornaftogaz of Ukraine. A similar project for a second jackup was again completed successfully and delivered well ahead of schedule to the same customer in Turkey in the last quarter of 2012.

For the past five years, CSC has been the preferred yard for TOPAZ Marine for repair and reinstatement work. In 2012, CSC carried out a number of jobs for TOPAZ Marine, including wheelhouse reinstatement and sponson removal for the Anchor Handling Tug/Supply (AHTS) vessels

Caspian Challenger and Caspian Endeavour, as well as the repair of AH Floriana and Topaz Dignity.

During the year, CSC successfully passed its first yearly surveillance audit conducted by American Bureau of Shipping (ABS) on compliance with Quality Management (ISO 9001:2008), Environmental Management (ISO 14001:2004) and Occupational Health and Safety (OHSAS 18001:2007).

KEPPEL VEROLME

A major project which Keppel Verolme, an established offshore and marine yard in the Netherlands, carried out in 2012 was the upgrading of the Scarabeo 6 semi for Saipem. The yard's work scope included the upgrading of the semi's drilling





capabilities to water depth of 1,200 metres (m), prefabrication and installation of various deck extensions, and refurbishment of the accommodation. Scarabeo 6 was redelivered in early December 2012 after spending six months at the yard.

Keppel Verolme's ability to provide quick turnaround on the 5-year special periodic survey of an accommodation jackup, COSL Rigmar, was recognised by COSL Drilling Europe, which awarded the yard a bonus for early completion with zero incidents in the second quarter of 2012.

Other projects undertaken by Keppel Verolme included the drydocking survey of a deepwater construction vessel, Balder, one of the world's largest crane vessels, for Heerema Marine Contractors, and the drydocking and maintenance of a semi crane and pipelay DP vessel for Saipem.

Looking ahead, Keppel Verolme will continue to be focused on execution excellence and achieving customer satisfaction.

KEPPEL KAZAKHSTAN

Leveraging its track record since 2003, Keppel Kazakhstan won an order in 2012 to build the country's first jackup from Teniz Burgylau, an indirect wholly-owned subsidiary of JSC NC KazMunayGas. Keppel Kazakhstan is jointly executing this contract to construct a KFELS B Class jackup with its consortium partner, Ersai Caspian Contractor. Scheduled for delivery in the first quarter of 2015, the rig will be deployed in the Caspian Sea.

Keppel Kazakhstan's track record of projects include the fabrication of a series of pipe rack modules, pontoons, hook up structures and the building of seven Ice class Self Ballasting Transportation Barges for Agip Kazakhstan North Caspian Operating Company, for the Kashagan field development. Keppel Kazakhstan is also the first yard to launch a steel floating vessel into the Caspian Sea in Kazakhstan.

With the vast oil and gas reserves in Kazakhstan, Keppel Kazakhstan

- 1 Backed by a highly skilled workforce and Keppel O&M's expertise in technological innovations and project execution, Keppel Verolme successfully completed the upgrading, repair, and maintenance work on Scarabeo 6, a semisubmersible drilling rig for Saipem.
- 2 Keppel Verolme secured a contract for the drydocking survey of the deepwater construction vessel Balder, one of the world's largest crane vessels.
- 3 Keppel Kazakhstan in Aktau City with consortium partner Ersai Caspian Contractor, is constructing the country's first jackup drilling rig, which is expected to be completed in 1Q 2015.

OPERATIONS REVIEW & OUTLOOK

stands ready to support the country as it unlocks and realises its production potential.

MARINE

KEPPEL SHIPYARD

Overall, Keppel Shipyard performed well in 2012 amidst challenging market conditions. The company repaired a total of 298 vessels, with the majority of them being tankers, gas carriers, drilling vessels and dredgers. Repeat customers, including those with fleet agreements with Keppel Shipyard, again provided a stable base load of work and contributed over 80% of the revenue of the ship repair business.

In the conversion segment, Keppel Shipyard completed six FPSO, one FSO and one FSU conversion/upgrading projects, as well as one pipelay vessel completion project in 2012.

Towards the end of 2012, Keppel Shipyard had six FPSO and one FSO projects in various stages of work, culminating in a

strong track record of 106 FPSO/FSO/FSRU/FSU conversion, upgrading and repair projects.

New orders secured during the year included a number of conversion and upgrading projects for SBM Offshore, Bumi Armada, PTSC Asia Pacific, Perenco and BC Petroleum. Keppel Shipyard also won an internal turret fabrication contract for INPEX's Ichthys FPSO in the last quarter of the year.

Keppel Shipyard reinforced its leading position in the industry with several recognitions accorded to the company in 2012. Seatrade conferred Keppel Shipyard with the Repair Yard Award, while Lloyd's List Asia named it Shipyard of the Year for the eighth consecutive year.

In the area of safety performance, Keppel Shipyard won 11 Safety and Health Award Recognition for Projects (SHARP) for its major contracts at the 2012 WSH Awards organised by the WSH Council. At the Team Excellence Symposium 2012 organised by

SPRING Singapore, Keppel Shipyard took home one Gold award and one Silver award for two of its Innovation and Quality Circles projects.

KEPPEL PHILIPPINES MARINE

In 2012, Keppel Philippines Marine (KMPI) registered higher consolidated revenue compared to the previous year. With ship repair contributing half of its total revenue, KPMI's shipyards in Batangas and Subic continued with efforts to retain and increase their ship repair clientele. Keppel Batangas repaired a total of 59 vessels, of which 42 were from

- 1 With good teamwork and understanding between the project teams, Keppel Shipyard successfully delivered to new customer Petrofac the FPSO Berantai, which is operating in the Berantai field in offshore Peninsular Malaysia.
- 2 Mr Michael Chia (right), MD (Marine and Technology), Keppel O&M, received the Lloyd's List Asia Shipyard of the Year 2012 award on behalf of Keppel Shipyard. The yard was conferred the award in recognition of its long standing commitment to its customers.



STRONG BRAZILIAN EXECUTION

Keppel FELS Brasil's BrasFELS yard in Angra dos Reis, Rio de Janeiro delivered the Floating Production Storage and Offloading (FPSO) vessel, Cidade de Sao Paulo, 19 days ahead of schedule and with an excellent safety record. It is the first of two FPSO projects BrasFELS is undertaking for MODEC and Toyo Offshore Production Systems Pte Ltd (MTOPS), a joint venture between MODEC, Inc. (MODEC) and Toyo Engineering Corporation (TOYO).

For achieving excellent safety performance throughout the two-year project, MTOPS awarded BrasFELS a safety bonus in addition to an early delivery bonus. FPSO Cidade de Sao Paulo is operating for Petrobras and its partners in the pre-salt region of the Santos Basin. The FPSO has a production capacity of 120,000 barrels of oil per day (bopd) and is able to compress 5 million cubic metres of gas per day.

BrasFELS' work scope comprised the fabrication of its riser manifolds, laydown areas and the flare tower as



The safe and early delivery of FPSO Cidade de Sao Paulo is the result of good teamwork between the BrasFELS and MTOPS project teams.

well as the assembly and integration onboard the FPSO.

Mr Kwok Kai Choong, President and CEO of Keppel FELS Brasil attributed the successful and early delivery of FPSO Cidade de Sao Paulo to the good teamwork and understanding between the two companies and BrasFELS'

capabilities. BrasFELS is continuing to improve its infrastructure and capabilities to strengthen its strong track record for win-win-win collaborations – build synergistic partnerships between fleet operators, field operators and BrasFELS.

domestic customers, while Keppel Subic Shipyard repaired 62 vessels.

In the newbuilding segment, Keppel Batangas delivered two floating crane transshipper barges, Ratu Giok 2 and Ratu Giok 3, as well as completed a dredger barge, Toyo Simba. As a key satellite yard in the Keppel O&M network, Keppel Batangas is also working on projects for Keppel FELS and Keppel Singmarine.

Over at Keppel Subic Shipyard, three floating crane transshipper barges FC Blitz, FC Vittoria (ex FC Princess Chloe 2) and FC Asia Glory were delivered in 2012. A significant

milestone for the yard in 2012 was the award of a contract by Shell Philippines Exploration to build a Depletion Compression Platform to support the Malampaya Phase 3 gas project in the Philippines.

With this new contract, Keppel Subic Shipyard is embarking on a yard expansion programme which includes the setting up of a 1,000-tonne gantry crane, a new fabrication area with two 100-tonne gantry cranes, and movable sheds with a 20-tonne overhead crane. With the enhanced yard facilities, Keppel Subic Shipyard will be able to further grow its capabilities in offering a wider range of offshore and marine services.

ARAB HEAVY INDUSTRIES

Arab Heavy Industries (AHI) in Ajman, United Arab Emirates, continued to be entrusted by repeat customers to undertake repair work in 2012. A total of 170 vessels were repaired, including for repeat customers like Abu Dhabi Petroleum Ports Operating Company (IRSHAD), Boskalis Westminster (Middle East), Lamnalco (Sharjah) Ltd, Miclyn Express Offshore Pte Ltd and Van Oord Ship Management BV. The yard also secured contracts from new customers including Hercules Offshore Middle East Ltd and World Wide Auctioneries. The former was for thruster

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- 1 Ms Josefina Patricia Magpale-Asirit (second from right), Undersecretary of the Philippine Department of Energy, was the Guest of Honour at the Strike Steel Ceremony of the Depletion Compression Platform being constructed by Keppel Subic Shipyard for Shell Philippines Exploration.
- 2 N-KOM's state-of-the-art yard boasts some of the most technologically advanced equipment for increased efficiency, quality and safety.
- 3 Mr Abu Bakar Mohd Nor (right), CEO of N-KOM, receives the Ship Repair/Shipyard award at the Seatrade Middle East & Indian Subcontinent Awards 2012 event.

installation onboard its jackup barge Kingfish, while the latter was for the repair of motor vessel Iron Butterfly.

A key project undertaken by the yard during the year was the upgrading of dredger Athena. Other major repairs included the steel renewal for three barges Awasef, Chios and Blue Fin-III, owned by Middle East Dredging Co, Athena C.R.Y. and Otto Industrial Marine respectively.

HSE remained a top priority for AHJ in 2012, with various courses on safety best practices organised for employees. The yard's relentless effort in cultivating a strong safety culture and mindset has resulted in an improved safety performance at the yard.

NAKILAT-KEPPEL OFFSHORE & MARINE

Into its second year of operations, Nakilat-Keppel Offshore & Marine (N-KOM) has established its position as Middle East's leading shipyard by winning the Seatrade and Lloyd's List

Middle East & Indian Subcontinent awards in 2012.

The year's significant projects included the first VLCC, LPG, Q-flex and Q-max LNG drydockings. The total number of marine vessels repaired stood at 63, with the majority of them LNG carriers, tankers and containers. One of the more notable repair projects were LNGC Al Gharrafa managed by OSG Shipmanagement, where N-KOM overhauled the vessel's safety valves, and modified the piping of the reliquefaction plant, among other repairs.

Another key project was the repair of LNGC Aseem managed by K-Line Shipmanagement. This was the first Dual Fuel Diesel Electric (DFDE)-engine LNG carrier to be repaired in Qatar and in N-KOM. Together with Wartsila, N-KOM undertook the complete overhaul of two of the vessel's DFDE engines, among other repairs, during drydocking.

For offshore projects, N-KOM completed repairs, modifications and

refurbishment of four jackups from GDI, Rowan Companies and Ensco. The yard also undertook repair works on its first land rig, Rig 803, from Weatherford Drilling.

Looking ahead to 2013, N-KOM expects to receive a healthy number of orders. New orders which have already been secured include the repair of 27 LNG carriers and the refurbishment of three jackups. With Phase 5 of the shipyard ready for operations, N-KOM is well placed to expand its reach in the regional market for offshore support vessels, platform supply vessels and small vessels.

The shipyard has been certified by Det Norske Veritas (DNV) for Quality Management (ISO 9001), Environmental Management (ISO 14001), and Occupational Health & Safety (OHSAS 18001).

SPECIALISED SHIPBUILDING KEPPEL SINGMARINE

Keppel Singmarine had a good year in 2012, delivering a total

of four vessels and securing two major orders. It also achieved a perfect safety record with zero incidents in 2012. For its excellent performance with no incidents over the past four years, Keppel Singmarine won the Keppel Group Chairman Safety Challenge Award in 2012.

The key deliveries made during the year include a fallpipe rock dumping vessel, Rockpiper, for Royal Boskalis and a diving support vessel Mega Bakti for Target Resources. Rockpiper, equipped with DP2 capability and remotely operated vehicle (ROV), is capable of carrying 24,000 tonnes of rock and precisely depositing them at a water depth of 1,500m. Mega Bakti, designed by Keppel Singmarine's Marine Technology Development (MTD) is equipped with decompression chambers and ROV to perform underwater intervention, rescue and training, and is able to achieve a speed of 19 knots.

Keppel Singmarine also worked with Keppel Shipyard to successfully deliver Castorone, one of the world's largest and most technologically advanced DP3 pipelay vessels for Saipem.

Two major contracts worth a total of \$400 million were secured by Keppel Singmarine in 2012. The first is a 56m catamaran air dive support vessel for Bhagwan Marine of Australia, and the other is a high-specification deepwater pipelay vessel for McDermott. Developed by MTD, this pipelay vessel is able to support advanced pipelay operations at a water depth of up to 10,000 feet. Capable of operating in severe weather conditions, the vessel can achieve efficient pipelay rates for long trunk lines, as well as provide significant thrust output and power distribution. Construction works for the pipelay vessel commenced in the first quarter of 2013 and is expected to be completed in two and a half years' time.

As part of continuous productivity improvements, Keppel Singmarine invested in a robotic welding machine in 2012, which is capable of producing four to five pipe spools per hour, thereby reducing production man-hours by 25%. The company is also in the process of incorporating robotic applications into steel profile cutting and T bar fabrication.

KEPPEL NANTONG

For 2012, Keppel Nantong Shipyard in China completed a floating dock with a 12,000-tonne lifting capacity to Keppel Shipyard. It also supported Keppel FELS in its accommodation semi project for Floatel, which recognised Keppel Nantong for its good safety performance on the project. In addition to this, the Nantong Municipal Government awarded the yard for its good safety practices.

As at the end of 2012, the projects in progress at Keppel Nantong are



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the 5,000-tonne sheerleg crane for Asian Lift, which will be completed by end 2013, and two 45-tonne bollard pull Azimuth Stern Drive (ASD) tugs. Apart from continuing to support the projects of the Singapore yards, Keppel Nantong has secured a contract for the extended jib fabrication and upper hull blocks construction for the Asian Hercules II sheerleg crane owned by Asian Lift.

The yard development under Keppel Nantong Heavy Industries is progressing well. The land portion of the 140m x 84m slipway is utilised for the fabrication works for Asian Hercules III, while the underwater portion of the slipway will be ready for vessel launching by second quarter of 2013.

Other production facilities such as the horizontal assembly and load out area, mobile workshops, panel line workshops, block fabrication workshops, and workers quarters will be completed in the second half of 2013. Apart from these, a 600-tonne Goliath crane, blasting and painting chambers, and pipe fabrication workshops will also be completed by end 2013.

KEPPEL SINGMARINE BRASIL

2012 saw good progress in the construction of six SMIT Rebras 45-tonne bollard pull ASD harbour tugs, and one Guanabara Navegacao Ltda (GNL) 4,500-deadweight tonne (DWT) platform supply vessel (PSV) at Keppel Singmarine Brasil.

A contract for a second PSV was awarded by GNL in April 2012.

The first phase of development of the yard, located in Navegantes, Santa Catarina, Brazil, was fully completed in 2012. This phase comprised a 100m x 28m slipway, 85m wharf, 120-tonne gantry crane, 18m x 100m pipe shop and equipment, and three mobile sheltered workshops equipped with cranes.

Work on the second phase of the yard development is being expedited. This phase comprises a 180m x 32m graving dock for shipbuilding and ship repair, an additional hull shop, blasting chambers, a mechanical and electrical workshop, and additional production equipment.

SEAMLESS COLLABORATION

Keppel Shipyard and Keppel Singmarine demonstrated the collective strength of Keppel O&M when they came together to successfully deliver one of the world's largest and most capable pipelay vessels, Castorone, to Italian customer Saipem. This project achieved an outstanding safety record, and was recognised at the 2012 Workplace Safety and Health Awards in Singapore.

Castorone arrived at Keppel Shipyard in March 2011 for completion and integration works. For this project, Keppel Singmarine contributed its extensive experience in engineering and constructing specialised ships, while Keppel Shipyard lent its expertise in managing large-scale projects. As such, Castorone reflects Keppel O&M's ability to combine and customise the capabilities of its yards to better meet the needs of its customers.



Besides Castorone, Saipem has entrusted Keppel's yards in Singapore with ship repair projects as well as the completion of Scarabeo 9, a semi drilling rig.

Over in the Netherlands, Keppel Verolme's projects for Saipem include the drydocking of the semi crane and

pipelaying vessel Saipem 7000, and the repair and modification of the semi pipelay vessel Castoro Sei. The yard also completed the upgrading of the semi drilling rig, Scarabeo 6, which had its first major upgrading at Keppel Verolme in 1998. Scarabeo 6 left the yard on 2 December 2012.

BAKU SHIPYARD

Incorporated in May 2011, Baku Shipyard has commenced yard development and is expected to be ready for partial operations around fourth quarter of 2013. Construction of the workshops, buildings, marine structures and facilities are progressing well. There will also be a floating dock of 9,000-tonne lifting capacity, and a ship repair berth installed with a trolley system for flexible movement of vessels within the berth. The shipbuilding berth at the yard is equipped with a 300-tonne Goliath gantry crane.

With the Shah Deniz 2 gas field in the Caspian region ready for operations by 2017, and the increased capital investment in offshore and marine infrastructure in Azerbaijan, Baku Shipyard is ready to capture the upcoming opportunities. Ahead of its opening, the yard has received enquiries on a wide range of newbuild vessels including subsea construction vessel, subsea field support vessel, AHTS vessel, PSV, and crew boat.

OTHER SERVICES

ASIAN LIFT

Asian Lift provides specialised marine heavy-lift services with its fleet of sheerleg cranes. The company's rich experience and expertise cover various challenging projects including the lifting of FPSOs and offshore platform modules in various parts of the world, such as Canada, Brazil, Europe, the Middle East, Sri Lanka, Hong Kong and China.

1 Castorone, delivered through close collaboration by Keppel Shipyard and Keppel Singmarine, is one of the world's largest and most capable pipelay vessels.

2 Fortifying its track record for customised ship solutions, Keppel Singmarine delivered the diving support vessel Mega Bakti safely, on time and within budget to its Malaysian customer Target Resources.



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2012 was a busy year for Asian Lift. Average utilisation rate of the sheerleg cranes registered a healthy improvement over 2011 and consequently, the high volume of activities boosted the company's revenue. About two thirds of these lifting projects were from the business units within Keppel O&M, which had a year of healthy orders and active deliveries.

KEPPEL SMIT TOWAGE / MAJU MARITIME

In Singapore, Keppel Smit Towage and Maju Maritime together operate a fleet of 32 tugs. During the year, a joint venture in China was incorporated, and including the joint ventures in Malaysia and Indonesia, the total fleet size stood at 64 tugs, an increase from 58 in 2011. With the increase in fleet size, revenue grew accordingly.

While Keppel Smit Towage and Maju Maritime are providing services above the 95% service level required by the Maritime and Port Authority of Singapore (MPA), the companies

are working to further enhance the service level. Towards this end, an analysis of the fleet size and its utilisation is being carried out, to find the optimal service level which will better meet customers' needs.

During the year, the two companies also embarked on programmes to continue to inculcate a strong safety culture, as well as to encourage more people in Singapore to pursue a career in seagoing.

REGENCY STEEL JAPAN

It was a year of healthy revenue growth for Regency Steel Japan (RSJ). Rack and chord production remained the largest earnings contributor, supplemented by the domestic steel fabrication business. The company produced ten rig sets in 2012, a new record since the last peak in 2008 when seven rig sets were completed.

With the upgrading of facilities completed in 2012, a total of 16 rack to chord machines operated on two shifts daily to achieve the delivery record for 2012. The improved

productivity and cost competitiveness will stand RSJ in good stead to continue to meet customer expectations for on time and on budget deliveries in 2013.

DPS (BRISTOL)

2012 saw DPS (Bristol) restructure its marketing function along three business lines, namely Engineering, Technology and Environmental. These are three areas where DPS sees good growth potential over the next five years.

During the year, the Engineering Division set up an engineering design office in Singapore, which is staffed by over a hundred engineers. This design office, a hub for DPS in Southeast Asia, enables DPS to provide better support to its Singapore-based FPSO customers.

The focus of the Technology Division is to work with major oil companies on technology projects, such as treatment of produced water in oil and gas fields. Leveraging DPS' engineering expertise, the Environmental Division is looking at



Keppel FELS and EnSCO celebrated the delivery of ENSCO 8506, the seventh and final ultra-deepwater semisubmersible in the ENSCO 8500 Series®.

Major Projects Delivered in 2012

	Quarter	Type	Customer	Shipyard
Offshore				
Newbuild jackups				
Nezalezhnist	3Q	KFELS B Class	Chernomornaftogaz	Keppel FELS
Seafox 5	3Q	MPSEP	Seafox Group	Keppel FELS
SAR 202	3Q	KFELS Super B Class	Saudi Aramco	Keppel FELS
Primus	4Q	KFELS B Class	Oro Negro	Keppel FELS
Newbuild semisubmersibles				
ENSCO 8505	1Q	ENSCO 8500 Series®	Ensco	Keppel FELS
ENSCO 8506	3Q	ENSCO 8500 Series®	Ensco	Keppel FELS
Marine				
FPSO/FSO conversions and upgrading				
FPSO Rubicon Intrepid	1Q	Turret fabrication and integration	Rubicon Offshore	Keppel Shipyard
FPSO Cidade de Paraty	2Q	FPSO Conversion	SBM Offshore	Keppel Shipyard
FPSO Cidade de Anchieta	2Q	FPSO Upgrade	SBM Offshore	Keppel Shipyard
FSU Tenaga Empat	2Q	FSU Conversion	MISC	Keppel Shipyard
FPSO Berantai	3Q	FPSO Upgrade	Petrofac	Keppel Shipyard
FSO Massongo	3Q	FSO Modification/upgrade	Perenco	Keppel Shipyard
FPSO Cidade de Sao Paolo	4Q	FPSO Integration	MTOPS	Keppel FELS Brasil
FPSO Armada Sterling	4Q	FPSO Conversion	Bumi Armada	Keppel Shipyard
Specialised Shipbuilding				
Newbuild vessels				
Rockpiper	2Q	Rock Dumping Vessel	Royal Boskalis	Keppel Singmarine
Mega Bakti	2Q	Diving Support Vessel	Target Resources	Keppel Singmarine
FC Blitz	2Q	Coal Transshipment Barge	PT Mitra	Keppel Subic Shipyard
Semar 81	4Q	Tug	PT Humpuss	Keppel Singmarine
Straits Venture 2	4Q	Coal Transshipment Barge	PT Pelayaran Straits	Keppel Singmarine
FC Asia Glory	4Q	Coal Transshipment Barge	PT Mitra	Keppel Subic Shipyard
Major Upgrades/Repairs/Outfittings				
Noble Bully 2	1Q	Drillship Outfitting	Noble	Keppel Shipyard
STB-1	1Q	Launch Barge Upgrade	BP	Caspian Shipyard
Pipe racks and pontoons	1Q	Fabrication	Agip KCO	Keppel Kazakhstan
Armada Installer	1Q	Crane Installation	Bumi Armada	Caspian Shipyard
Uncle John	1Q	Semisubmersible Repair	Cal Dive	Keppel AmFELS
ENSCO 5002	1Q	Semisubmersible Repair	Ensco	Keppel FELS Brasil
Thialf	2Q	Semisubmersible Crane Repair	Heerema	Keppel Verolme
Tom Jobe	2Q	Jackup Repair	Noble	Keppel AmFELS
Q4000	2Q	Semisubmersible Repair	Helix Energy	Keppel AmFELS
Noble Phoenix	2Q	Drillship Repair	Noble	Keppel FELS Brasil
ENSCO 85	2Q	Jackup Repair	Ensco	Keppel FELS
Noble Sam Noble	2Q	Semisubmersible Repair	Noble	Keppel AmFELS
Steel Fabrication	2Q	Steel Fabrication	Ersai	Keppel Kazakhstan
Adriatic XI	2Q	Jackup Repair	Buccaneer Energy	Keppel FELS
Paradise 400	3Q	Jackup Upgrade	Safin Gulf	Keppel FELS
COSL Rigmar	3Q	Jackup Repair	COSL	Keppel Verolme
Scarabeo 6	4Q	Semisubmersible Upgrade	Saipem	Keppel Verolme
Castorone	4Q	Pipelay Vessel Completion	Saipem	Keppel Shipyard

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small scale waste-to-energy solutions for on-site treatment of waste generated from facilities such as hospitals and universities.

DPS also used its strong links with Asian manufacturing companies to secure two floating production projects for the North Sea in 2012. The first was a Front-End Engineering Design (FEED) verification and detailed topsides design engineering contract for Dana Petroleum's Western Isles Field Development. The second was a contract to supply a gas dehydration package, condensate dehydration package and debutaniser for BG's Norwegian Knarr FPSO.

INDUSTRY OUTLOOK MARKET REVIEW

Global economic recovery was tepid in 2012, amidst continued uncertainties in the US and the EU, as well as lower-than-expected growth in emerging economies. The Eurozone debt crisis and the challenges in the US fiscal policies continue to pose downside risks to the global economy.

Oil prices, while at a healthy level, remained range-bound, influenced by the ongoing tension in the Middle East and concerns over economic growth prospects. Notwithstanding the macro headwinds, capital spending in the oil and gas industry was sustained in 2012, driven mainly by oil prices averaging about US\$110 per barrel, and continued bifurcation towards higher quality assets in the industry post-Macondo.

The International Energy Agency (IEA) has projected that the world would consume some 90.8 million barrels per day (mb/d) of oil in 2013, an increase of about 0.86 mb/d compared to 2012, due to the improving economic conditions in China and the US.

In its 2012 World Energy Outlook, IEA's base case scenario forecasts that global oil demand would increase to 99.7 mb/d by 2035, up from 87.4 mb/d in 2011, with China alone accounting for 50% of the net increase worldwide. Fossil fuels would remain

the principal source of global energy, though renewables are expected to grow rapidly. In particular, demand for oil, gas and coal would grow in absolute terms through to 2035, but their combined share of the global energy mix is projected to fall from 81% to 75% during that period.

According to a 2012 survey conducted by Barclays Capital, global exploration and production (E&P) spending would hit US\$644 billion in 2013, the fourth consecutive year of growth. The continued high spending by international oil companies is driven mainly by years of under-investment a decade ago, resource nationalisation resulting in a rise in deepwater drilling, as well as the need to find and replace large pockets of reserves to increase production.

Looking ahead, the long term fundamentals of the offshore and marine industry remain sound despite the continuing uncertainties in the global economy. Keppel O&M is mindful of the challenges ahead,





and is continuing to strengthen its competitiveness by deepening its core competencies to meet the evolving and growing demand for quality offshore and marine solutions.

DRILLING RIGS

In the area of shallow water rigs, the impact of the Macondo incident is still being felt. The market has continued to put a premium on high specification jackup rigs, owing to the more stringent safety requirements. As a result, utilisation rates for such rigs have remained healthy and utilisation levels have achieved near 100%.

While close to 35% of the global jackup rigs are aged 30 years and older, new orders for jackup rigs saw a decrease in 2012, from a high of 40 units in 2011 to 20 units.

The year ahead in 2013 will see a slew of jackup rig deliveries, and

these are expected to be well absorbed by the market. Industry consultant Douglas Westwood has projected that the number of jackup wells to be drilled would continue to see a steady increase over the next few years and this could support a sustainable replacement cycle over the mid-term.

The global deepwater market continued to enjoy healthy growth, with about 40 deepwater units ordered in 2012, including some 15 semis. In fact, the number of orders for highly capable sixth-generation semis more than doubled over the 2011 – 2012 period. Notwithstanding this, the supply of semis is likely to remain tight over the next few years, due to the absence of orders between 2009 and 2011.

With a healthy backlog of development projects and recent successful discoveries in the ultra

- 1 The longer term outlook on the demand for floating production systems, such as FPSOs, remain robust and Keppel Shipyard is poised to continue to sustain its competitive edge in this segment of the offshore and marine market.
- 2 Synergies from Keppel's global network of yards allow the Group to stay ahead of the curve, delivering technologically advanced and value-adding solutions, such as the Seafox 5 offshore wind turbine installer, for customers around the world.
- 3 Drilling rig projects line the Keppel FELS yard as it works to deliver 20 rigs in 2013, which are expected to be well absorbed by the market.

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deepwater regions such as the Azul-1 well in Angola and Barryroe in Ireland, dayrates for ultra deepwater rigs have stabilised around the US\$600,000 per day range compared to the US\$500,000 per day range in 2011.

The Golden Triangle region, comprising the Gulf of Mexico, Brazil and West Africa, is expected to dominate deepwater expenditure over the next five years. Outside of this region, growth will be led by Australia, the Mediterranean, and East Africa. Asia is also expected to become more active in deepwater drilling. Douglas Westwood has forecasted that capital expenditure in Asia will reach US\$19 billion over the next five years, with significant deepwater projects being developed off India, Malaysia and Indonesia.

The sustained high oil prices are making it increasingly attractive to explore in the harsh environment regions, like the North Sea and the Arctic region. This will see the North Sea region remaining active in the near-to-mid term.

With the drilling rigs market remaining positive over the longer term, Keppel O&M will continue to focus on developing rig designs which will value add to the dynamic global offshore market.

PRODUCTION UNITS

There are currently about 250 floating production systems in service globally, with FPSOs comprising 60% of the total fleet. In the production semi market, Brazil, North Europe and the Gulf of Mexico are the most active.

Over the longer term, outlook for floating production systems remains robust, due to the projected accelerated development of marginal and deepwater reserves. International Maritime Associates has recently identified about 250 projects in the bidding, design or planning stage that potentially requires a floating production or storage system, up 65% compared to the number planned five years ago.

These trends are set to continue and present good opportunities for

companies that can support operators to more effectively increase their production output. With Keppel O&M's established track record in building quality production units, the company is well placed to continue to ride on the sector's growth momentum.

SPECIALISED SHIPS

The robust E&P spending in recent years has provided good growth impetus for offshore support vessels (OSV). While the market fundamentals of the sector remains healthy due to rising offshore drilling activities and the increasing need for production infrastructure, the deliveries of some AHTS vessels and PSVs in recent years have dampened the near term demand for OSVs.

Another trend which has emerged in recent years is the bifurcation in the OSV fleet, with dayrates and utilisation levels of newbuild and older vessels having diverged. The market is also experiencing a growing appetite for construction and subsea support vessels as exploration activities continue to move into the deeper



Riding on its track record in successfully converting for Golar LNG the Floating Storage and Regasification Units (FSRUs), Golar Spirit, Golar Winter and Golar Freeze, Keppel Shipyard is well placed to capture opportunities in the growing Floating LNG vessel conversion market.

OFFSHORE WIND SOLUTIONS

Keppel FELS has delivered Seafox 5, one of the largest and most advanced multi-purpose offshore wind turbine installers of its kind to the Seafox Group, ahead of time and with an impressive safety record. Built to Keppel's proprietary Multi-Purpose Self-Elevating Platform (MPSEP) design, Seafox 5 is a new-generation offshore wind turbine installation vessel that can withstand harsh offshore environmental conditions all year round in the deeper waters of the North Sea.

Measuring 50m wide and 151m end-to-end, Seafox 5 is among a handful of purpose-built jackups with a 1,200-tonne heavy lift capacity and capable of installing both turbines and large foundations exceeding 800 tonnes in weight. It is able to operate in up to 65 metres water depth, the deepest for such vessels.

Mr Wong Kok Seng, MD (Offshore) of Keppel O&M and MD of Keppel FELS, said that this achievement

waters of Brazil, Southeast Asia, North Sea and Gulf of Mexico.

Looking ahead, the demand for construction and subsea support vessels is projected to be positive. As the value of such vessels is generally higher compared to AHTS vessels and PSVs, there will be more intense competition for such orders, even from yards which are not traditionally in the OSV sector.

With a track record of some 400 newbuilds in the specialised vessels market, Keppel O&M will continue to strengthen its competitiveness by focusing on its value proposition to customers in the areas of reliability and technical competency.

NEW GROWTH AREAS

As the world's growing demand for energy continues to drive E&P into



Guest of Honour, Mr Tan Chuan-Jin, Singapore's Acting Minister for Manpower and Senior Minister of State, Ministry of National Development (front row, centre) with senior management from Keppel O&M, Seafox Contractors, Workfox and ABJV at the naming ceremony of Seafox 5 on 18 August 2012.

demonstrated Keppel's ability to leverage its R&D and execution capabilities to participate and add value effectively in a segment of the market which is relatively new to Keppel. Keppel O&M will continue to use its market knowledge, rig technology and construction expertise to offer value-adding solutions for offshore wind farms.

new frontiers, Keppel O&M is stepping up its R&D efforts to meet the changing needs of its global customers with cost-effective solutions.

With E&P activities in the Arctic region expected to grow in the foreseeable future, Keppel O&M is readying itself to provide commercially viable solutions to the market. Keppel Offshore & Marine Technology Centre, in collaboration with ConocoPhillips, are designing a first-of-its-kind ice worthy jackup rig. The rig will be capable of operating in a self-sustaining basis for 14 days and will be equipped with a hull designed for towing in ice. This joint design project is expected to be completed by end 2013.

In addition, to tap into opportunities in the Liquefied Natural Gas (LNG)

Seafox 5 has already been chartered to the joint-venture company of Aarsleff Bilfinger Berger (ABJV) Dan Tysk to install offshore wind foundations in the 288 megawatt (MW) Dan Tysk wind farm in the German Sector of the North Sea.

sector, Keppel Shipyard is working with Golar LNG on a Front-End Engineering and Design (FEED) study to determine the engineering and work scope of a potential project to convert up to three LNG vessels into Floating LNG vessels.

Looking ahead, Keppel O&M aims to shape the future and stay ahead of the curve through developing innovative solutions for new offshore frontiers. It will also fortify its leadership position in the global offshore and marine industry by further improving the skills and productivity of its global yards to capture value-adding opportunities.

TECHNOLOGY & INNOVATION

Leveraging our technology innovation and operational expertise, we work closely with customers and partners to develop and bring to market a comprehensive suite of value-adding and quality solutions.



As a global leader in the offshore and marine industry, Keppel Offshore & Marine's (Keppel O&M) key value-add to our customers is our ability to constantly adapt and innovate to address the needs and challenges of the market. With the exploration of oil and gas reserves moving to deeper waters and less hospitable terrains, operators and oil services companies are looking for providers to deliver quality and innovative solutions, on time, within budget and safely. We believe that our commitment to advancing our technological capabilities helps us to stay ahead of the curve.

Over the years, our suite of proprietary offshore and marine

solutions has gained wide market acceptance, as they have been developed in close consultation with our customers and industry partners. A good case in point is our KFELS B Class jackup design, which is one of the most cost-effective and versatile designs in the industry. It is well known for its ability to be customised to suit a wide range of operational requirements. As at March 2013, a total of 41 KFELS B Class jackups have entered the market. With a proven performance track record, the KFELS B Class has today become the gold standard for modern jackup rigs.

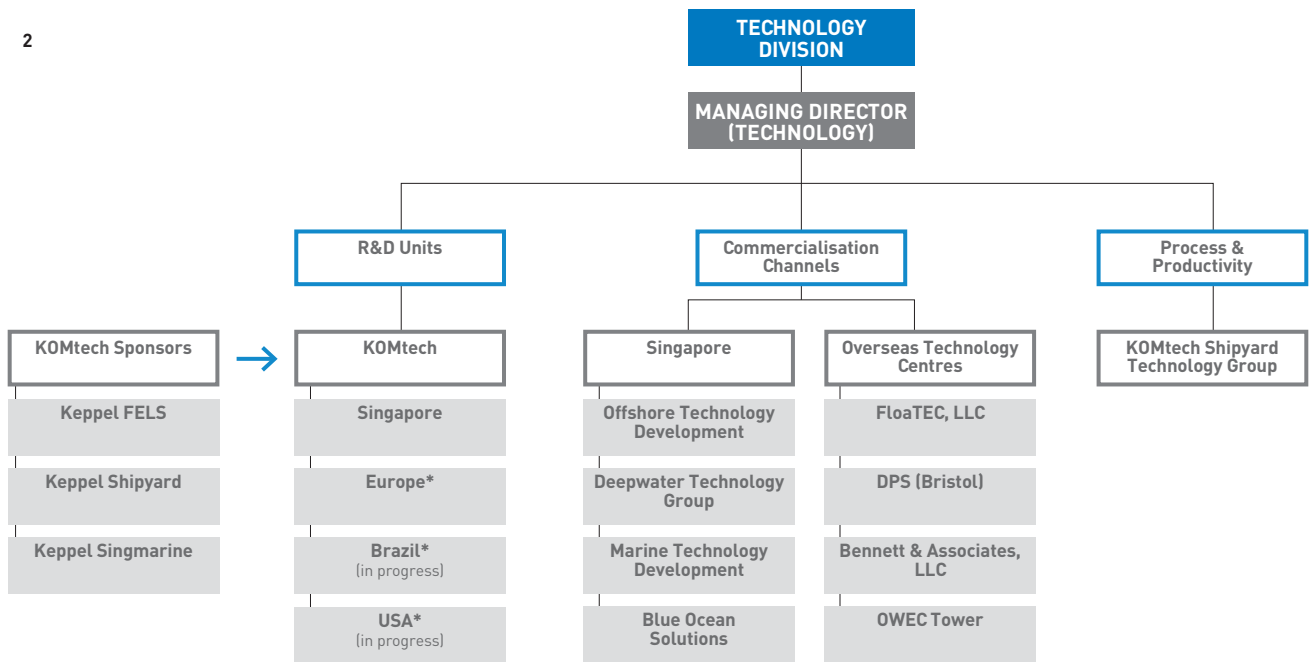
Another successful design which we have developed include our KFELS Semisubmersible Drilling

Tender (SSDT™) design. This design revolutionised drilling tender operations by becoming the world's first drilling tender to operate against a floating platform in deep waters of up to 2,000 metres (m). Prior to this design, conventional drilling tenders could only be deployed next to fixed platforms in shallow waters.

Focused on delivering market relevant solutions, we will continue to enhance our designs to incorporate advancements in technology, as well as to suit the evolving industry requirements.

STRENGTHENING FOCUS

To strengthen our capabilities and fortify the group's commitment to



* Technology foresight units

advance our technology leadership, in April 2012, all technology units of Keppel O&M were brought under one umbrella – the Technology Division.

The key arms of the Technology Division include Keppel Offshore & Marine Technology Centre (KOMtech), Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD).

At KOMtech, the group's main research and development (R&D) unit, commercial viability is a key focus and guiding principle for the development of new solutions and enhancements to products and processes. With a team of over 80 researchers, KOMtech augments Keppel O&M's design and engineering activities by providing specialised capabilities and upstream R&D of new product designs. The over-arching objectives of KOMtech are to develop competencies, promote innovation, stimulate and carry out application research, and engage in technology foresight to create strategic advantages for Keppel O&M.

KOMtech comprises two arms, Shallow Water and Deep Water.

The Shallow Water segment looks into Arctic jackup designs, offshore wind solutions, LNG applications, environmental and drilling solutions for the oil and gas industry, while the Deep Water segment looks into ultra harsh environment semisubmersibles (semi), tension leg platforms, as well as innovative ship designs.

The commercialisation channels comprise OTD, which specialises in jackup rigs and their critical components; DTG, which specialises in semis and other floating structures; and MTD, which specialises in offshore support vessels and tugboats.

Apart from Singapore, Keppel O&M also has a technology foresight unit in the Netherlands, KOMtech (Europe), and is in the process of setting up KOMtech (Brazil) and KOMtech (USA).

The Shipyard Technology Group helps to bring about process and productivity improvements, as well as ensure that these enhancements are implemented across the Keppel O&M group.

With the Technology Division, we have created more collaboration opportunities and synergies

between the R&D units in KOMtech and our commercialisation arms OTD, DTG and MTD. This will allow us to achieve a more seamless approach from concept generation to commercialisation. It also provides our engineers and researchers with a wider career perspective and job opportunities within Keppel O&M.

NEW ENERGY FRONTIER

KOMtech's research work in the liquefied natural gas (LNG) market has gained traction with a growing and active portfolio of research projects in 2012, such as LNG Liquefaction Systems, LNG fuelled vessels, LNG hose transfer systems, and a mini-LNG supply-chain for associated gas.

1 Keppel O&M's team of researchers push technology frontiers by developing new solutions to meet future market needs.

2 Organisation structure of Keppel O&M's Technology Division.

TECHNOLOGY & INNOVATION

In November 2012, Keppel Shipyard and Golar LNG reached an agreement to jointly explore the development of Floating LNG (FLNG) vessels, based on the conversion of the existing Moss type LNG Carriers. Under this agreement, Keppel Shipyard has been appointed to undertake the Front End Engineering and Design (FEED) study of the conversion of an FLNG vessel, utilising Golar LNG's existing Moss LNG Carriers, with proven topside liquefaction technology.

The first FLNG vessel is expected to have LNG production capacity of up to two million tonnes per annum (MTPA), with 125,000 cubic metres of LNG storage on board the existing LNG carrier. The target gas supply will be lean pipeline quality gases from associated reserves or stranded gas fields.

We believe that natural gas is becoming a more important energy source globally, and LNG has an important role to play in the decades

to come. FLNG vessels offer a more cost-effective solution for field development, and have significant advantages and flexibilities for remote locations, where local infrastructure is limited and the gas price is low.

DEEPWATER SOLUTIONS

With offshore oil and gas developments moving steadily into deeper waters, complex engineering designs and construction expertise are required. To meet this demand, KOMtech has developed innovative designs such as the Extendable Semisubmersible (E-Semi) to enhance performance for conditions in the Gulf of Mexico and offshore Brazil, the Deep Draft Semi (DDS) dry tree solutions for offshore Brazil, the TLP2200 which is a tension leg platform design for operations in water depths of 2,200m, the Slim Drillship for top-hole drilling, the Semisubmersible Drilling Unit SSDU8000, and the Offshore Logistics Hub for Brazilian deep waters.

E-SEMI

The E-Semi is a hybrid design of conventional deep draft and truss structured semi. The dry tree concept is enhanced by the reduced heave motion characteristics of the semi, provided by a Second Tier Pontoon (STP) located below the traditional pontoons.

R&D into the E-Semi has been carried out at different phases by KOMtech (Deepwater Technology Group) and FloaTEC, LLC. Model testing was successfully carried out in Lab Oceano, Rio de Janeiro, Brazil to investigate whether the controlled STP lowering motion can be executed in offshore conditions. In addition, the motion characteristic of the platform and the connector loads during the in-place condition were verified and compared.

DDS

A DDS Model test was carried out successfully in Brazil in 2012. The test verified and demonstrated

1



2



3





motion characteristics in the offshore operating environments of the Gulf of Mexico and Brazil. The DDS is a new concept developed as an ultra deepwater and cost-effective solution for production platforms to support dry tree systems.

TLP2200

Currently, DTG is jointly collaborating with FloaTEC, LLC to develop the technology and methodology needed to extend the TLP capabilities from the current 1,600m up to 2,200m water depth. Special focus is required for tendon design using steel & composite material, as well as for fabrication and installation aspects.

VERSATILE DRILLSHIP

With the growing demand for oil and gas, coupled with the increasing maturity of shallow water fields, exploration and production activities are gradually carried out in deeper waters and more remote locations. This has

resulted in a rise in global demand for ultra deepwater drillships.

To enhance Keppel O&M's offshore drilling portfolio and strengthen its position as a key player in the ultra deepwater offshore market, we have developed robust drillship solutions for the market. Our latest drillship design concept is the Multi Purpose Field Development (MPFD) vessel.

The MPFD vessel is a small drillship, without a subsea stack or marine riser, with full drilling, open water completion and well intervention capabilities. It is specifically targeted to meet the demand for reduction in field development costs in deepwater subsea developments by:

- Drilling top holes riser-less, setting conductor and surface casing;
- Completing production wells through the application of innovative subsea and sub-surface technologies;

- 1 The E-Semi is a production semisubmersible with a second tier pontoon, developed for dry tree applications in the Gulf of Mexico, Offshore Brazil, West Africa and Australia.
- 2 The DDS is an ultra deepwater and cost effective dry tree solution for offshore Brazil.
- 3 The TLP2200 is a tension leg platform designed for operations in water depth of 2,200m.
- 4 The MPFD is designed to reduce field development costs in deepwater subsea developments.

TECHNOLOGY & INNOVATION

- Well intervention with coiled tubing or wire-line utilising a production riser;
- Well intervention with subsea lubricators;
- Changing out subsea Xmas tree and installation of capping device with AHC crane; and
- Maintenance operations to existing wellheads or subsea manifolds.

HEAVY LIFT PIPELAY VESSEL

In December 2012, Keppel Singmarine signed a contract with Hydro Marine Services, Inc., a subsidiary of McDermott International, Inc (McDermott), for the construction of a high-specification deepwater pipelay (S-Lay) vessel.

Developed by MTD, this vessel is designed to support advanced pipelay operations, in which pipelines are installed to depths of up to 10,000 feet. It is also capable of achieving efficient pipelay rates for long trunklines, operate in severe weather conditions, and provide significant thrust output, power distribution and accommodation for up to 400 personnel.

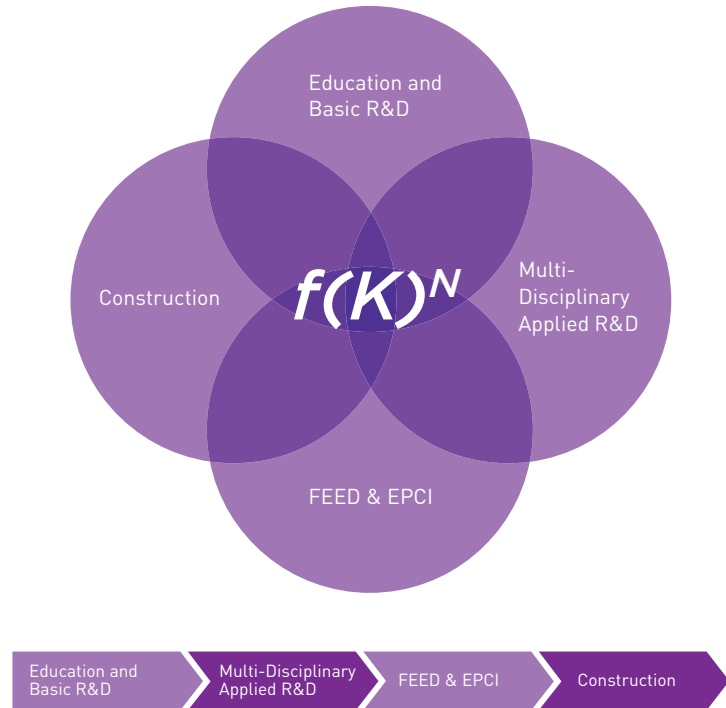
This dynamically positioned combination S-Lay vessel, tentatively named DLV2000, will also be equipped with a 2000-tonne crane for structural work, 450 tonnes of S-Lay tension with a rigid stinger, and a 200-tonne crane for subsea installation.

TECHNOLOGY PARTNERSHIP

In May 2012, KOMtech, Keppel O&M, FloaTEC, LLC and the National University of Singapore (NUS) formed a consortium f(K)^N, which aims to develop commercially viable solutions to meet the challenges of deepwater field developments in Brazil.

Specifically, f(K)^N seeks to promote workshops and seminars among the universities, research institutes and industry players in Brazil; invite outstanding academics for visiting professorships and research fellowships; promote engineering postgraduate programmes at NUS and Brazilian universities; facilitate technology exchange between Brazil's

Value Chain Linkage



1 The DLV2000 is designed by MTD to support advanced pipelay operations in which pipelines are installed to depths of up to 10,000 feet.

2 In an effort to achieve collaborations with universities and research institutes in Brazil, f(k)^N invited Professor Antonio Fernandes and Professor Marta Tapia from the Federal University of Rio de Janeiro to visit Keppel O&M and NUS.



ocean basin, tow tank and numerical laboratories and Singapore's research institutes; as well as promote engineering undergraduate exchange programmes between NUS and the Brazilian universities.

In 2012, several initiatives were made under f(k)^N. They include the following:

- Visits to various research institutes in Brazil like Petrobras R&D Centre (CENPES), Lab Oceano, The Alberto Luiz Coimbra Institute for Graduate Studies and Research in Engineering (COPPE) at the Federal University of Rio de Janeiro (UFRJ), and Numerical Offshore Tank (TPN) at the University of Sao Paulo (USP).
- Professor Antonio Fernandes of UFRJ was offered Visiting Professorship to NUS funded by Keppel Chair Fund, while Professor Marta Tapia of UFRJ was offered a sabbatical at NUS.
- The commencement of plans to establish a laboratory at UFRJ.
- Professor Andrew Palmer, former Keppel Professor, delivered a seminar at COPPE at UFRJ in Rio de Janeiro, Brazil.

- Professor Kazuo Nishimoto of USP was invited to Singapore to deliver the 10th Keppel O&M Lecture at NUS on the Development of Deepwater Technologies in Brazil. He also attended the 15th Keppel Technology Advisory Panel (KTAP) meeting in Tianjin, China as a new KTAP panel member.
- Professor Chan Eng Soon, Dean of Engineering of NUS, was appointed the third Keppel Professor.
- Established a General Cooperation Agreement between KOMtech and Technomar, a spin-off company from Professor Kazuo Nishimoto's TPN at USP.

Apart from the f(k)^N initiative, since its establishment in 2007, KOMtech has been actively engaging and collaborating with many industry partners and academic institutions such as the National Research Foundation Economic Development Board, Maritime & Port Authority of Singapore, Singapore Maritime Institute, A* STAR Research Institute, Nanyang Technological University, NUS, and classification societies.

TECHNOLOGY REVIEW 2013

With the aim of stimulating thought and spurring innovation, KOMtech produces an annual journal, Technology Review, to showcase its multi-disciplinary forte highlighting its wide research coverage.

Each year, a good sampling of the vast research work by KOMtech is showcased in its Technology Review. For the 2013 publication, the journal focuses on the trends of computational fluid dynamics design and the optimisation of self-propelled jackups and semis, tangible solutions to resolve constraints of LNG bunkering and the feasibility of E-Semi for dry tree application in deepwater.

Prior issues of the Review have received significant interest from the offshore and marine industry, which includes our customers, professional institutions and the academia. Several of KOMtech's papers have also been presented at major offshore and marine conferences and seminars.



1 Varandey & Toboy



2 Raissa



3 Yuri Korchargin



4 KST 59



5 Kogalym



6 West Callisto



7 Seafox 5



8 FPSO Armada Perdana



9 Magnolia



11 PV Drilling V



12 Floatet Superior



13 Gold Star



12 P-56

1 Icebreaker

1 Icebreaker
 • A support vessel that forges passages through icy waters for oil tankers

2 Submersible (<30 ft)

2 Submersible (<30 ft)
 • A mobile unit which sits entirely on the seabed during operation

3 Ice-class FPSO (<100 ft)

3 Ice-class Floating Storage and Offloading (FSO) Vessel (<100 ft)
 • An ice-resistant vessel that receives crude oil from a fixed platform and offloads it to shuttle tankers

4 Harbour Tug

4 Harbour Tug
 • A small and powerful boat which assists ships when docking, tying up to the piers and during departure

5 AHTS

5 Anchor Handling Tug/Supply Vessel (AHTS)
 • An offshore support vessel equipped for emergency stand-by/rescue, oil recovery and fire fighting

6 Jackup Rig (up to 500 ft)

6 Jackup Rig (up to 500 ft)
 • A self-elevating mobile drilling unit that stands on its legs on the seabed during operation
 – KFELS MOD VI
 – KFELS A Class
 – KFELS B Class
 – KFELS Super A Class
 – KFELS Super B Class
 – KFELS C Class
 – KFELS G Class
 – KFELS N Class

7 MPSEP (up to 213 ft)

7 Multi-Purpose Self-Elevating Platform (MPSEP) (up to 213 ft)
 • A wind turbine installation vessel that can withstand harsh offshore environmental conditions year round at a water depth of 65m in the North Sea

8 FPSO (>4,000 ft)

8 Floating Production Storage and Offloading (FPSO) Facility (>4,000 ft)
 • A ship-shaped production facility used for the processing and storage of oil or gas

9 ETLP (up to 6,000 ft)

9 Extended Tension Leg Platform (ETLP) (up to 6,000 ft)
 • A vertically moored floating structure which is used for the offshore production of oil or gas

10 SPAR (up to 8,000 ft)

10 SPAR (up to 8,000 ft)
 • A large cylindrical unit which supports a rig platform, and anchors it to the seafloor using cables and chains

11 SSDT (up to 8,000 ft)

11 Semisubmersible Drilling Tender (SSDT) (up to 8,000 ft)
 • A floater that operates alongside SPARs and Tension Leg Platforms, and is able to maintain station keeping in water depths of up to 8,000 ft
 – SSDT™ 3600E

12 Semisubmersible Accommodation Unit (up to 8,000 ft)

12 Semisubmersible Accommodation Unit (up to 8,000 ft)
 • A floating unit that provides accommodation for crew
 – SSAU™ 3600
 – DSST™ 20NS
 – SSAU™ 4000NG

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

13 Semisubmersible Drilling Rig (up to 10,000 ft)
 • A floating unit which can perform drilling operations at water depths of up to 10,000 ft
 – DSS™ 20
 – DSS™ 38
 – DSS™ 51
 – DSS™ 38E
 – DSS™ 51HE
 – DSS™ 60HE

14 Semisubmersible FPU (up to 10,000 ft)

14 Semisubmersible Floating Production Unit (FPU) (up to 10,000 ft)
 • A floating platform used to produce oil and gas in deepsea
 – DeepDraft Semi

15 Drillship (up to 12,000 ft)

15 Drillship (up to 12,000 ft)
 • A compact and highly efficient unit with equipment suitable for well workover and exploration drilling
 – DrillDeep DS12000

SUSTAINABILITY REPORT

Our drive for excellence reflects our commitment to operate our business in a sustainable and socially responsible manner to promote the interests of people and protect the environment.



SUSTAINING GROWTH

PAGE 66–75

Our drive for business excellence is underpinned by an unwavering focus on Health, Safety and Environment, meticulous project management as well as prudent risk management.

Through an ongoing process of optimising resources and increasing productivity, we continue to deliver innovative projects with strong value offerings and hallmark quality to create value for customers worldwide.

EMPOWERING LIVES

PAGE 76–83

People are the cornerstone of our business. As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We seek to develop a formidable and results-driven workforce with strong leaders imbued with our core values to take the company into the future.

NURTURING COMMUNITIES

PAGE 84–89

As a global citizen, we aim to give back to communities wherever we operate in a variety of areas spanning knowledge building and education, social development and environmental protection.

We encourage employees to contribute actively as change agents to effect improvement in their surroundings and in the lives of those around them.



PRODUCTIVITY, QUALITY & ECO-CONSCIOUSNESS

We sustain our competitiveness through continual productivity, process and quality improvements as well as environmentally-friendly practices.



As a leader in the industry, Keppel Offshore & Marine (Keppel O&M) is committed to provide our customers with value-added services. We continue to pursue business excellence and evolve our operations and solutions to meet present and future needs.

OPTIMISING OPERATIONS

The Shipyard Processes Group was formed in 2008 under the auspices of Keppel Offshore & Marine Technology Centre (KOMtech). In 2012, it was restructured to be KOMtech Shipyard Technology Group, which comes under KOMtech, a part of Keppel O&M's Technology Division.

The function of the KOMtech Shipyard Technology Group is to assist Keppel's global network of yards in enhancing their processes and productivity. It is also supporting the dissemination of best practices and application of advanced technologies through research and development.

Over the last 10 years, Keppel O&M has spent close to \$2 billion to enhance its infrastructure, equipment

and information technology (IT) systems so as to raise the productivity and output of the group.

By early 2012, all of Keppel FELS' pipe shops had their layouts improved as well as processes further mechanised and automated. These changes have brought about more efficient workflow and optimal use of materials.

Presently, the company is looking into improving its panel line operations. The layouts of the panel line shops have been redesigned. In addition, the relevant equipment and technologies have been selected to improve the shops' systems.

Besides improving the operations of its workshops, Keppel FELS is also enhancing its facilities to better enable the construction, repair and upgrade of megastructures. In February 2012, Keppel FELS unveiled the CAN DO Barge, which is a 10,000 square metres (sm) platform suited to support vessels requiring special periodic surveys, repairs and upgrading works. A total of eight rigs and vessels have had their construction and repair

works done on the barge during the year.

Keppel FELS has also started engineering and construction works on a new 700MT Goliath Crane, which is slated for completion in mid-2014. The crane will further raise the flexibility and productivity of its construction process through the lifting of larger blocks.

In line with the requirements to work with larger blocks, Asian Lift, a subsidiary of Keppel O&M, is looking to add a more powerful vessel to its fleet of floating sheerleg cranes. Its latest unit, Asian Hercules III, currently under construction at Keppel Nantong, will have a lifting capacity of 5,000 tonnes. When completed in 3Q 2013, Asian Hercules III will be one of the largest and most powerful sheerleg cranes in the world.

Over at Keppel Shipyard, Raffles Dock is being widened and lengthened to 400 metres (m) by 64m. During the year, the company also brought on line Floating Dock 3. Measuring 170m by 27m, the floating dock has a lifting



capacity of 12,000 tonnes, and has added to Keppel Shipyard's capacity for repair projects.

Furthering its efforts towards greater efficiency, Keppel Shipyard unveiled the Productivity Plus (P+) programme in 2012. This programme aims to raise productivity through better processes, planning and tools as well as enhanced skills. A particular area of focus is to have more widespread application of IT in its operations. For example, using IT tools to determine and track the allocation of manpower.

Keppel Singmarine too has brought on impressive enhancements to its operations and facilities. Capable of producing four to five pipe spools per hour, the robotic welding machine has led to a 25% reduction in man-hours. The company is also in the process of incorporating more robotic applications to its steel cutting and fabrication processes; some of these

advancements are expected to bring about a 14% reduction in man-hours per annum.

Works have been undertaken to ramp up the operations of Keppel O&M's overseas business units as well. Keppel Subic Shipyard, which has been gradually expanding and upgrading its facilities over the last few years, is embarking on another phase of development. The yard has plans to add a 1,500-tonne crane – the largest in the Philippines – and 18,000sm of fabrication space, as well as new workshops and machineries.

Similarly, Keppel Nantong Shipyard in China is undergoing yard development. It has doubled its facilities from 16 hectares (ha) to 42ha. It will also be equipped with more assembly areas and workshops.

All the additional capabilities and capacity to Keppel Subic Shipyard and

Keppel Nantong Shipyard will enable them to efficiently take on larger and more sophisticated projects, including the fabrication of offshore rigs.

INSPIRING EXCELLENCE

Keppel O&M's global network of yards continue to enhance its practices and processes for higher productivity. Many of these advancements were developed from the ground up, through the sharing of observations

- 1 Keppel Singmarine is in the process of incorporating robotic applications to its steel cutting and fabrication processes.
- 2 As at January 2012, all of Keppel FELS' pipe shops had their layouts improved as well as processes further mechanised and automated.



PRODUCTIVITY, QUALITY & ECO-CONSCIOUSNESS

and ideas of its employees at various productivity and quality platforms.

Keppel FELS, Keppel Shipyard and Keppel Singmarine host in-house Innovation and Quality Circles (iQC) conventions annually. At these events, employees and their subcontractors present ideas for improving workflow or the use of resources.

Since 2009, Keppel Shipyard has also rolled out on an annual basis its Innovation Sustenance Challenge Cup, which encourages the successful implementation of previous and current iQC projects. In 2012, Tuas Yard – one of Keppel Shipyard's

three yards – was the winner of this Challenge Cup.

Over at Keppel FELS, iQC projects too are taken one step further through its in-house Innovation Challenge platform, which was introduced in 2012. Projects submitted for this challenge are assessed on their innovativeness, alignment to company values and direction as well as scale of positive impact on the company's operations. The winner of this year's competition was a team from the Engineering Department. The team generated a software which automatically generates piping isometric drawings; this results in

time and cost savings when rendering and touching up pipe drawings.

Employees are encouraged to share their ideas at national platforms as well. Keppel O&M secured three Star Awards, 12 Gold Awards and six Silver Awards from national iQC assessments.

Doing its part for the industry and economy, the group actively shares knowledge on productivity measures and best practices. For instance, since 2008, Keppel FELS has been an active supporter of MAXA Manufacturing Excellence Community (MEC) events, where it shares insights





2

- 1 Doubling the size of its facilities and adding more assembly areas and workshops, Keppel Nantong is gearing up to take on larger and more sophisticated projects, including the fabrication of offshore rigs.
- 2 With the CAN DO Barge, a 10,000 sqm platform, Keppel FELS has added capacity to undertake more repair and upgrading works for a variety of rigs and vessels.

on how to achieve outstanding operations. Keppel FELS had been the first Singaporean company to be conferred the Manufacturing Excellence Award (MAXA), jointly conferred by the Singapore Economic Development Board, McKinsey & Co and Singapore-MIT Alliance.

Keppel FELS is also strongly behind the International Exposition on Team Excellence Competition (IETEX), which is a regional platform initiated by Singapore Productivity Association to raise quality standards and efficiency. Teams participating in this event hail from countries such as Hong Kong, Indonesia, Malaysia, India and Singapore. In 2012, the Keppel FELS team was placed sixth amongst the 38 participating teams.

During the year, visitors from far and wide also called at our facilities for knowledge-sharing and

benchmarking activities. Amongst them are government, industry and business representatives.

ACHIEVING ENERGY EFFICIENCY

Apart from raising productivity and encouraging innovations, Keppel O&M is also seeking to be more environmentally-friendly. Working towards more robust operations, Keppel O&M has been looking into using its resources such as water and electricity more efficiently.

At Keppel FELS, efforts have been made to centralise shore generators used to distribute power to each rig for commissioning work. This arrangement has led to reduced energy consumption by as much as 60% per month for some rigs.

SAFETY EXCELLENCE

We are focused on achieving an incident-free workplace and protecting our people, property and the environment through close collaboration with our stakeholders.

SAFETY: A CONTINUOUS JOURNEY

Continuing on our journey towards an incident-free workplace, we work to sustain efforts and align our yards worldwide on the adoption of safe work practices and the improvement of safety management systems. We also encourage the sharing of information and knowledge, and inculcate a strong culture of watching out for each other's safety at the workplace.

In 2012, we continued to invest in safety and spent over \$26 million on the enhancement of the relevant infrastructure along with skills and knowledge development. We believe that by training and empowering our key stakeholders to be responsible guardians of their own safety and that of others, we will be able to make good progress in our safety journey.

Our dedicated efforts over the last year paid off. For 2012, our Accident Frequency Rate (AFR) dropped to 0.11 incidents per million man hours worked from 0.24 in 2011, and our Accident Severity Rate (ASR) went down to 77 man days lost to incidents

per million man hours worked from 443 in 2011. With the improved safety performance, we are motivated to do even better by stepping up our efforts to inculcate a strong safety culture across all our yards.

ACHIEVING SAFETY EXCELLENCE

During 2012, we put in significant efforts on refining our safety initiatives to align safety standards across our yards globally. While every yard is in a different phase of its safety journey, the commitment to achieve an incident-free work environment is consistent across the yards.

At Keppel O&M, we are aligned with Keppel Group's efforts through the Keppel Workplace Safety and Health (WSH) 2018 strategy. We are on track for Phase 3 of the Keppel Safety Self Assessment, where our activities support the safety roadmap and areas of focus derived from this three-year exercise which began in 2011.

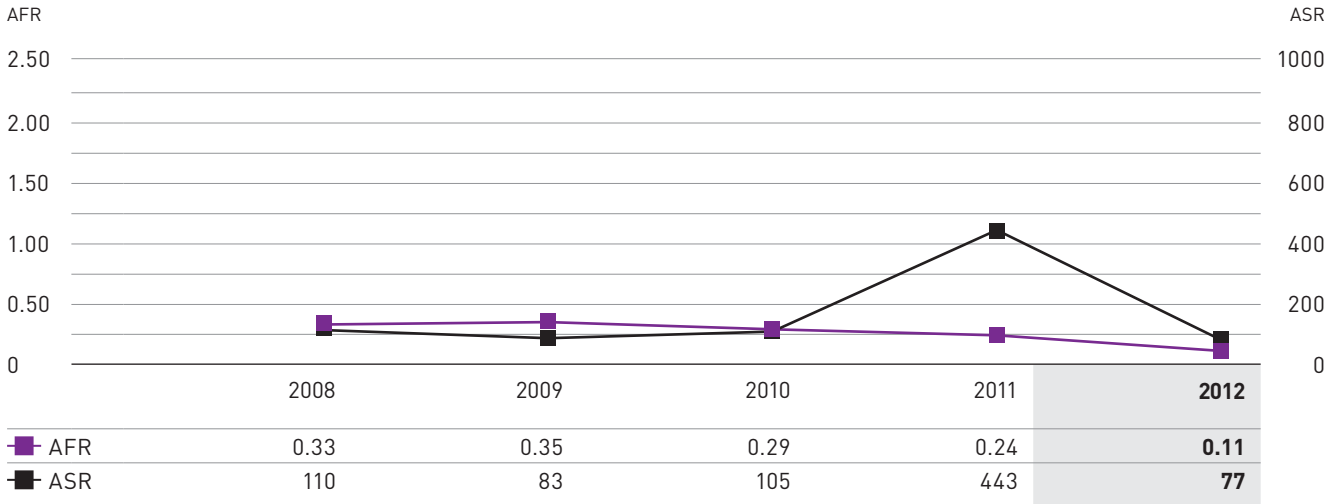
The four focus areas identified for 2012 and beyond to further strengthen and improve our safety processes and initiatives are as follows.



Every year, workers go through safety courses at the Keppel Safety Training Centre to learn about safe operations of equipment and the High Impact Risk Activities.



Keppel O&M Safety Statistics



LEADING BY EXAMPLE

One of Keppel O&M's strongest safety pillars is the strong commitment and high leadership visibility from our top management.

Keppel O&M formed its Board Safety Committee (BSC) which held its inaugural meeting on 30 April 2012. Chaired by Board Member Mr Lim Chin Leong, the committee comprises external Directors Mr Tan Ek Kia and Dr Malcolm Sharples, Keppel O&M's Chairman Mr Choo Chiau Beng and CEO Mr Tong Chong Heong. The Keppel O&M BSC meets on a quarterly basis where lessons learnt from cases are discussed in-depth to glean best practices that can be implemented across Keppel O&M yards. These findings set the strategic direction for Keppel O&M's Health, Safety and Environment (HSE) excellence.

At Keppel FELS and Keppel Shipyard, its MDs chair weekly safety meetings, which are important platforms for safety and operational management to deliberate on safety related issues to enhance workplace safety and health.

As a responsible leader in the offshore and marine industry, we continue to be strong supporters of national safety events such as the

WSH Conference and the annual bizSAFE Convention jointly organised by the WSH Council and the Ministry of Manpower (MOM). We also lent our support to the Association of Singapore Marine Industries (ASMI) where several members of our management are represented in various committees.

DRIVING OWNERSHIP

To instill a stronger sense of responsibility and ownership among the workforce, we hold programmes and campaigns which aim to ensure that the safety messages reach all our employees.

Keppel FELS held its annual HSE Excellence Campaign with the theme "Handle It Right" in August 2012 with strong support from its union. Keppel Shipyard also ran an extensive Working at Height Campaign to create awareness on height safety. In addition, the yard spearheaded the Buddy Scheme Mentorship, one of the driving factors of its Safety Excellence 2015 initiative. This successful initiative was extended to 16 major and 38 minor contractors, with assigned Buddy Groups and Buddy Mentors to facilitate the learning exchange.

At the annual Group Safety Innovation Convention, teams from across the

Keppel O&M yards also had the opportunity to generate creative ideas with the potential to be implemented to improve workplace safety.

ADHERING TO PROCEDURES

With strong guidance and support from the Keppel O&M BSC, several strategic safety programmes and initiatives which aimed at encouraging employees to adhere to operational procedures and safety guidelines were introduced in 2012.

At the Keppel O&M yards, the six key High Impact Risk Activities (HIRA) remained as priorities and considerations in their daily activities. For example, a month-long forklift safety campaign was launched on 25 June 2012 to reinforce forklift safety practices. The campaign was accompanied by a standard Forklift Operations Safe Working Procedure (SWP) to guide the yards in executing the campaign.

At our overseas yards, Keppel AmFELS sent their safety and operational personnel to visit the Singapore yards to learn and share HSE best practices that can be adopted back at their yard in Brownsville, Texas. Over in Brazil, Keppel FELS Brasil started a programme with DuPont as

SAFETY EXCELLENCE

part of its continuous drive to further improve safety performance and achieve safety excellence.

To facilitate cross sharing and learning of good HSE practices, the Keppel O&M Cross Business Unit Audit was introduced. This programme aims to provide Safety Champions with the opportunity to audit the safety initiatives and practices applied in the core work processes of our yards, including the maintenance of major equipment. The inaugural exercise was conducted among the Singapore yards to much success. The exercise was subsequently conducted overseas in early 2013, starting with our Brazilian yards BrasFELS and Keppel Singmarine Brasil. The audit will continue on to our yards in the Philippines, China and Qatar.

In addition to adopting safe work habits, employees are also encouraged to lead a healthy lifestyle. Programmes and activities which promote workplace and community health such as health talks are regularly rolled out at our local and overseas yards to equip employees with knowledge and opportunities on how to keep healthy. Our workforce also undergoes regular health

checks and yard employees must be certified fit before being assigned strenuous work.

COMMUNICATING PROACTIVELY

We recognise that for our safety best practices to be well implemented, we must proactively and regularly communicate our safety initiatives to all employees at our Singapore and overseas yards.

To facilitate this, Mr Yong Chee Min, GM (HSE) of Keppel O&M and Secretary of Keppel O&M BSC, and other relevant HSE team members visit the yards regularly to encourage sharing of information and alignment to the group's safety culture. During such visits, Mr Yong also updates the yards on the group's latest HSE initiatives, as well as seeks to understand the unique challenges faced by our yards, particularly our overseas yards. In 2012, Mr Yong visited Keppel AmFELS, Keppel FELS Brasil and Keppel Singmarine Brasil.

In Singapore, we organise regular HSE sharing sessions at the various yards as well as our foreign workers' dormitories to educate the workers on safe behaviour and practices. Safety initiatives are also regularly communicated through HSE Alerts

or Safety Sharing sessions across the global yards. Looking ahead, we will continue to introduce innovative initiatives to encourage more active sharing and communication among all our yards.

PARTNERSHIP WITH STAKEHOLDERS

We also actively support MOM and WSH Council to implement initiatives that will help to raise safety standards within our industries. We work closely with our subcontractors to ensure that they are aligned and trained to our high standards of safety. Keppel Shipyard, we trained over 7,500 contract workers in safety core competencies to equip them with the knowledge and skills in height safety, electrical safety, confined space safety and material handling. At Keppel FELS, the Subcontractors Executive Council Safety Committee, which consists of representatives from different trade sections, meets weekly to discuss concerns and initiatives.

For the fifth consecutive year, Keppel FELS, Keppel Shipyard, Keppel Singmarine and other business units within Keppel O&M sponsored the annual bizSAFE Convention 2012 organised by WSH Council. As bizSAFE partners, we





1 Mr Yong Chee Min, GM (HSE), Keppel O&M, visited Keppel FELS Brasil's BrasFELS yard in Angra dos Reis in 2012 to share safety best practices.

2 Transocean's Project Manager, Mr Ray Campbell (right), presenting a safety bonus to Keppel FELS' Project Manager, Mr Lam Khee Chong for the achievements of four million safe man hours worked on Transocean Siam Driller and Transocean Andaman.

3 Keppel Offshore & Marine won 25 safety awards at the 2012 Workplace Safety and Health (WSH) Awards organised by the WSH Council and Ministry of Manpower, Singapore.

provide incentives to motivate our contractors and vendors to progress through the various levels of the bizSAFE programme. With effect from 1 Jan 2013, Keppel Shipyard has imposed bizSAFE Level 4 for all its resident contractors before they are allowed to undertake any work in the yard. Currently, Keppel O&M business units in Singapore impose a bizSAFE Level 3 for all its resident contractors.

In March 2012, Shell arranged for some of its managers to visit Keppel Shipyard to learn how leaders at Keppel cultivate a positive safety mindset among its workforce. The delegates also visited the Keppel Safety Training Centre to learn about the various safety training programmes conducted by Keppel Shipyard.

We also supported workshops through ASMI on confined space safety and electrical safety, and participated in the DROPS Forum in June 2012 where Keppel FELS shared on good practices to prevent objects from dropping when working at heights. Furthermore, Keppel O&M was invited to share on the challenges of working safely in the offshore and

marine sectors at the BCAA-IOSH International Conference in WSH for the Construction Industry.

RECOGNISING GOOD PERFORMANCE

2012 saw Keppel O&M recognised for its safety achievements by the industry in Singapore. Keppel Group clinched a record 34 awards at the WSH 2012 Awards, which is the highest number of awards conferred to a single organisation since the awards were introduced in 2006 by the WSH Council and MOM. Of the 34 awards, Keppel O&M won 25 for achieving perfect safety records on its newbuild and conversion projects.

At the Keppel Group Safety Convention held on 8 October 2012, Keppel Singmarine was acknowledged for its consistently good safety performance over the years. The company emerged as the winner of the Keppel Chairman Safety Challenge Trophy.

With the strong encouragement and support from the government and industry, we will strive to continue to progress on our safety journey to fulfil our commitment of achieving an incident-free workplace for everyone.

BUSINESS CONTINUITY

We implement a robust risk management system to build resilience and safeguard the interests of the company and our stakeholders.



A joint security exercise was organised by Keppel O&M's Security Department and Singapore's Home Team to simulate a high-level terrorist attack at Keppel Shipyard Gul.

ENTRENCHING RISK MANAGEMENT

Keppel Offshore & Marine's (Keppel O&M) Enterprise Risk Management (ERM) framework provides a holistic and systematic process for identifying, analysing and managing risks to better prepare us to respond to uncertainties and leverage new business opportunities to maintain its competitive edge.

The Board of Directors, assisted by the Keppel O&M Audit Committee, is responsible for overseeing the risk management of the group, where key risks and the progress of significant projects are reviewed, monitored and discussed with the management.

Keppel O&M's key value proposition to our customers is based on our *Near Market, Near Customer* strategy, which enables us to offer products and services to suit different markets. By inculcating proactive risk management, we are able to effectively navigate the challenging business environment and capitalise on opportunities. Significant risks associated with value drivers to achieve corporate strategies are

identified. Mitigating actions are then established and closely monitored.

All investment proposals include an assessment of key factors which could carry potential risks. Such key factors are the alignment with the company's strategic objectives, operational controls, financial viability, potential contingent liabilities, specific country laws and regulations, technical competency and available resources. Risk-related policies and risk limits are subjected to periodic reviews to ensure that they continue to support business objectives, address business risks effectively and take into consideration the prevailing operating environment within Keppel O&M.

The types of risks that we actively manage include challenging contractual terms with stakeholders, customer default, fluctuations of foreign currencies, potential credit tightening, cash flow management, unfavourable regulatory changes, skilled workforce shortages, cost escalation, non-performance of suppliers and subcontractors,

disruptions to supply chain and natural disasters, among others. These risks may have implications on project schedule, cost and quality.

MANAGING PROJECT RISKS

For Keppel O&M, a large part of the projects are executed over an extended period of time. To help manage the risks associated with this, we employ a standardised risk assessment and monitoring process, with adaptations to suit local environments.

During the pre-contract stage, the project evaluation team, comprising experts of different functions, identifies and evaluates key risks concerning the market, customer, engineering expertise and challenges, contractual terms, cost estimation, resource availability and other specific project structure and conditions. Mitigating actions are identified to address these potential risks.

In 2012, we further refined our project risk assessment process to ensure that adequate mitigation is taken to address the complexity and diversity



of the projects carried out across the group. In particular, emphasis is placed on conducting detailed reviews of contract terms and contractual risks during contract negotiation and tendering stage. We believe that with more rigorous scrutiny and thoughtful consideration in the earlier stages, project risks can be significantly reduced in the execution and completion phases.

At the execution stage, key risk areas involving costing, scheduling, planning, engineering design, procurement, quality control, health, safety and environment management are closely monitored to ensure that pre-emptive measures are taken and appropriately implemented. The aim is to ensure that projects are executed and completed on time, within budget, and with standards of safety and quality that meet or exceed contractual specifications.

The group spares no effort in inculcating safety awareness among all stakeholders, in particular employees and subcontractors. This is achieved through training and enforcement of safety standards at the work sites. With guidance from the Board Safety Committee of Keppel Corporation, Keppel O&M's Group Safety Committee exercises oversight of the effectiveness of its safety management system.

FOSTERING A STRONG RISK-CENTRIC CULTURE

Strong management commitment in driving group-wide ERM systems and processes over the years has enabled us to be better equipped in managing risks in the dynamic business environment, both in Singapore and globally. Risk management is integrated into the day-to-day business operations to enable early risk detection for proactive risk management.

To equip our employees with risk management knowledge and capabilities, we invest in continuous education through various initiatives. The Keppel O&M ERM Team briefs new employees on the group's

risk management framework and practices during orientation programmes. Risk management workshops are also organised to reach out to overseas operations, where threats are identified and mitigating actions established.

Throughout the year, Keppel O&M's ERM Team conducts ERM training workshops for overseas operations in Brazil, Qatar, Ajman in the United Arab Emirates and the Philippines to assist these business units in aligning with the group's risk management framework. The workshops also served as good exchange platforms for the promulgation of risk management messages, thereby enhancing future initiatives in our on-going journey towards proactive risk management.

During the year, a risk centric culture survey was organised across the Keppel Group to assess the state of the company's risk culture and to seek employees' feedback on current risk management practices to further improve the risk management system.

Risk management is also embedded in an employee's performance evaluation process. We strive to foster a risk centric culture where employees take conscientious ownership and accountability of risk management in their respective areas of work.

ENHANCING OPERATIONS RESILIENCE

Business Continuity Management (BCM) is part of our ERM initiatives to address and manage potential threats and minimise disruptions to operations. The BCM Steering Committee oversees the implementation of our BCM programme and provides the necessary guidance and action plans to mitigate threats with the aim of resuming key business operations within a pre-established target time frame.

During the year, the BCM Steering Committee reviewed the potential threats and BCM structure in its key business units in Singapore and

overseas, with the aim to strengthen operations resilience and enhance agility against disruptive events like an epidemic outbreak, natural calamities, terrorist attacks and critical damage across its global facilities. Each business unit is responsible for the identification, assessment, and mitigation of threats and specific task forces are set up to handle this and carry out testing of the response plans.

Singapore and overseas business unit heads periodically report their BCM initiatives, implementation progress of the plans, and lessons learnt from testing of the business continuity plans to the BCM Steering Committee. The management of interdependencies among key functions is critical to the success of a BCM response plan.

Some BCM drills performed in 2012 include a joint terrorist attack simulation exercise with the Singapore Civil Defence Force, the Jurong Division Police, Special Operations Command, Police Coast Guard and ST Marine Security. Various fire and evacuation drills were also carried out across our facilities. This is in addition to the annual disaster recovery testing of critical information technology application systems that support the business operations. For each test and drill, post-mortem analyses were performed to refine action plans. All business continuity plans are required to be reviewed, tested and refined regularly to enhance our overall operational resilience.

Keppel O&M continually reviews and refines its risk management methodology, systems and processes so as to have reasonable assurance that there is sufficient resilience within the group in facing potential risks and threats. A robust and effective risk management system will help put us in good stead amidst a climate of economic volatility, as well as environmental destruction, geopolitical instability, social unrests, and information technology systems vulnerability.

PEOPLE DEVELOPMENT

We nurture and develop our people to empower them to deliver quality and value-driven results to our customers.

At Keppel Offshore & Marine (Keppel O&M), all employees are guided by our eight core values of *Can Do!*, Customer Focus, Commitment to Health, Safety and Environment (HSE), Accountability, Integrity, Innovation & Learning, Global Mindset and People & Teamwork. This set of core values underpins our holistic approach in fortifying our human capital, nurturing and propelling our people to achieve excellence in their work.

To reinforce and strengthen Keppel O&M's philosophy of "Strong Values, Strong Results", a Keppel O&M core values refresher campaign was held between June and August 2012. The objective of the campaign was to convey to our employees the importance of our core values, and to enable them to better relate to the core values as well as to internalise them in their daily work lives.

Activities organised as part of the campaign include the screening of

our core values video, as well as games and competitions which helped employees better understand our core values.

NURTURING PEOPLE

Every year, Keppel O&M makes significant investments in the training and development of its employees. In 2012, a total of \$15.5 million was spent on the training of our global workforce of 34,000.

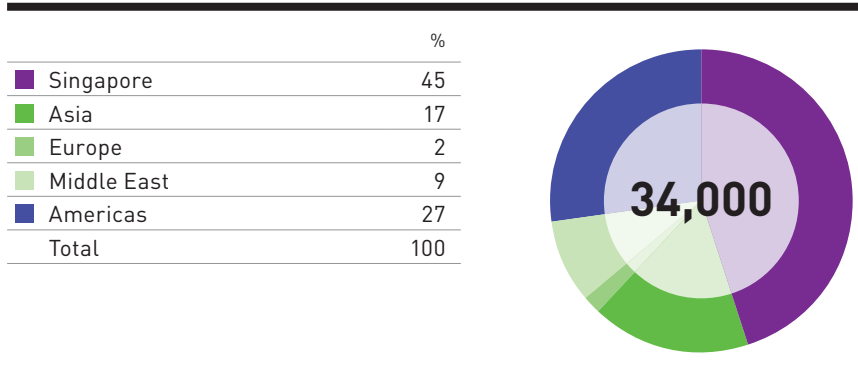
Recognising the importance of developing human capital, Keppel O&M's management convenes regularly to discuss succession planning, compensation, development plans, and the overall capabilities of our organisation. Each year, a selected group of employees are rotated through various functions and business units. They are exposed to a wide cross-section of the company's business and are equipped with the necessary knowledge and skill sets for future management and leadership roles.



Keppel O&M adopts a holistic approach to promote the safety, health and well being of employees, and takes an active interest in developing its human capital to its fullest potential.



Manpower Distribution by Country 2012 (%)



Our eight core values are represented by icons symbolising productivity, unity and strength.

Apart from schemes on leadership development, Keppel O&M also has in place programmes to develop the technical expertise of its employees. The Keppel O&M Technical Associate Scheme was introduced in 2012 to attract more graduates of the Institute of Technical Education (ITE) to join Keppel O&M, as well as to retain existing apprentices. The scheme is designed to provide technical associates with a defined career and academic development path. Technical associates who have successfully completed the scheme will attain a National ITE Certificate (NITEC) or Higher NITEC in marine-related studies. Company sponsorships will be awarded to technical associates with good performance to further their studies, thus enabling them to progress in their careers.

Many current members of Keppel O&M's management team were groomed through the management trainee scheme. The scheme continues to be an effective way to ensure a continuous pipeline of young and talented new recruits with the potential to take on various management positions within the company. Targeted at fresh graduates, the scheme provides comprehensive and all-rounded training for participants. In 2012, a total of 176 management trainees were selected for the programme, which saw them undergo modules comprising classroom training, on-

the-job attachment and technical skills training.

For existing management trainees, dialogue sessions were organised during the year for them to have more interaction with the senior management. Organised across all the business units, these sessions aim to engage the future leaders of Keppel O&M, gather feedback about the challenges they face at work, facilitate experiential sharing, and reaffirm senior management's commitment to develop the company's human capital.

GROOMING LEADERS

As part of efforts to attract talent and groom future leaders, Keppel O&M offers scholarships to full time students with good academic results. In 2012, a total of 21 marine-related scholarships were awarded, of which more than half were for a Bachelor's or Master's degree.

Keppel O&M also supports employees' learning and development through sponsorships. Employees with good work performance and growth potential are offered sponsorships for academic upgrading. In 2012, a total of 30 sponsorships were awarded for studies in a wide range of fields, including Diploma in Engineering (Electrical/Marine related), Bachelor of Engineering in Naval Architecture, Master of

Science (Project Management), as well as Master of Science (Offshore Technology).

We also ensure a structured approach to succession planning, where selected young leaders are entrusted with broader job scopes in the company for exposure and learning. The framework focuses on grooming and nurturing the top tier talents to ensure that they get the necessary development opportunities in leadership positions and in driving results.

Annually, formal succession planning is conducted for all critical positions within each business unit. The identified successors will undergo the relevant leadership development and deployment programmes to prepare them for their identified future leadership roles. Some of the development programmes include Keppel Global Young Leaders Programme, Keppel Global General Management Programme, Keppel Global Advanced Management Programme, and Executive Management programmes at renowned institutions.

RETAINING EXPERIENCE

We believe that the wealth of experience of our long-serving and senior employees is an invaluable resource to the company. As such, we proactively engaged our retired employees to ensure that we continue

PEOPLE DEVELOPMENT

to have a pool of experienced and knowledgeable employees to guide our younger employees. In Singapore, we rehired a total of 114 employees who had reached retirement age in 2012.

Keppel O&M is fortunate to have many employees who have remained with the company through both good and difficult times. Every year, the respective business units present long service awards to employees to recognise their years of dedicated service to the company. In 2012, a total of 507 employees in Singapore received their long service awards.

We also recognise that senior employees can serve effectively as mentors to new employees. Besides helping them to assimilate into the Keppel culture, senior employees will guide the new employees in their career and personal development. Our younger employees have benefited firsthand from the sharing of knowledge and experience by the senior employees.

ENHANCING WORKPLACE WELLNESS

At Keppel O&M, we believe that a fit and healthy workforce is a productive one. As part of our growth strategy, we make significant investments in the health and wellbeing of our workforce. To reinforce the importance of personal health, our management team supported various programmes organised by the Workplace Health Programmes (WHP) committee in 2012.

At the 2012 A.C.T.I.V.E Day, which has over the years become a key health promotion event at Keppel O&M, more than 2,000 Keppelites kicked into high gear with an energetic workout led by fitness instructors. The theme for the event is "Be Kind. Be Safe. Be Healthy." Held for the eleventh time since 2002, this annual event reiterates Keppel's commitment to the wellbeing of its employees. Following the event, each employee was also given a packet of healthy snacks to encourage them to adopt healthy eating habits.

At the same event, Mr Tong Chong Heong, CEO of Keppel O&M, and key management launched the Singa Bench as part of the Singapore Kindness Movement. Singa, the mascot of the Movement, is featured on the bench which is etched with the quote, "Let's show care and kindness to build a safe workplace and a healthy workforce. It begins with you!" This stems from Keppel O&M's belief that a kind and compassionate work environment goes a long way in promoting a safe, healthy and productive workforce.

Our efforts to promote employee wellness during the year was recognised and Keppel FELS and Keppel Shipyard were awarded the Platinum Award at the Singapore Health Award (SHA) 2012. These awards reaffirm our commitment towards ensuring a healthy workforce.

To further educate our employees on healthy living, Keppel O&M organised



1



FORGING BONDS

In 2012, Keppel O&M continued to organise gatherings for members of the Keppel O&M Alumni, which was launched in 2011 with the aim of facilitating the networking of former and existing Keppelites. About 40 members of the Alumni and Keppel's senior management caught up with each other over tea in January 2012, before the Chua Chor Teck Memorial Lecture. The lecture is now marked as an annual event in the Alumni calendar, which is apt as Mr Chua Chor Teck has been hailed by many Keppelites, both past and present, as the most illustrious son of Keppel.

The next event on the Alumni calendar in 2012 was a dinner held in July. With the theme "Can Do Camaraderie", the dinner saw 180 ex-Keppelites and their spouses catching up among old friends, and enjoying an exhibition of



Mr Choo Chiau Beng, CEO of Keppel Corporation and Chairman of Keppel O&M (second from left) and Mr Tong Chong Heong, CEO of Keppel O&M (left), having a good time with the ex-Keppelites at the Keppel O&M Alumni Dinner held in July 2012.

paintings by Mr Chung Chee Kit on Keppel vessels and yards.

During the year, Keppel O&M also organised an appreciation lunch for 78 retirees from across the group. Three retirees, one each from Keppel FELS, Keppel Shipyard and Keppel

Singmarine, shared the stories of their career journey at Keppel. Senior management and union officials also attended to recognise the contributions of the retirees.



1 Keppel O&M's HR team conducted a two-day development programme for the management trainees at Keppel FELS Brasil's BrasFELS yard in Angra dos Reis in September 2012.

2 Playing important roles in the construction of the rigs in Keppel FELS are the growing number of females working in the yard.

PEOPLE DEVELOPMENT

health talks throughout the year on topics such as influenza, tuberculosis, HIV/AIDS and stress management.

Other health programmes include bone health scan, an exhibition on workplace infectious diseases, the "Choose Brown Rice" campaign, and various fitness classes. These programmes are aimed at increasing overall awareness on ways to keep fit and stay healthy.

With a global workforce, Keppel O&M also encourages its overseas yards to implement regular workplace health programmes. Keppel AmFELS in the US distributes monthly health and wellness newsletters to its employees, and organises health fairs with local hospitals with free medical examinations. Special programmes rolled out in 2012 include a flu prevention campaign, and a competition called the "Biggest Loser" challenge, which was a weight loss programme held in conjunction with a city-wide promotion.

At Keppel Batangas Shipyard in the Philippines, regular health checkups for employees are

conducted for a range of medical diagnoses. Other initiatives such as health talks and free medical screening were implemented to encourage employees to stay healthy. The yard also partnered with volunteer dentists to offer free oral examinations to mark Oral Health Month. In addition, a blood donation drive was organised to encourage Keppel Batangas Shipyard employees to donate blood to the Philippines Red Cross.

Over at BrasFELS, the yard invited the Unit for Postural Correction (UCP), in partnership with the Health Plan AMIL, to introduce a programme to help correct the habits and actions of those with back problems. In addition, health talks on respiratory diseases, smoking, drugs and alcoholism and skin diseases were conducted by trained medical professionals for the employees of Keppel FELS Brasil.

At Nakilat-Keppel Offshore & Marine (N-KOM) in Qatar, activities such as the Annual Sports Festival, Annual Carnival and the Premiere League Cricket Tournament were

organised to strengthen the bonds and camaraderie among employees. Other competitions held include the Block of the Month competition, which was launched to promote cleanliness and healthy living at the staff residences.

PARTNERING OUR UNIONS

A key priority for Keppel O&M in ensuring a motivated and productive workforce is the active engagement with our unions. In 2012, we continued to maintain good relations with our unions through regular dialogue sessions on a range of topics concerning the welfare of employees.

Regular dialogue sessions were held between management and union representatives to discuss various issues, such as dormitories, the quality of food served in the yards' canteens and transport for workers.

The Keppel Employees Union (KEU) 2nd Quadrennial Delegates' Conference was held in August 2012. Mr Lim Swee Say, Secretary-General, National Trades Union Congress and Minister, Prime Minister's Office, was the Guest of Honour at the event.

CHAMPION OF HR

Lauded for driving effective and innovative human resources practices in the organisation, Mr Tong Chong Heong, CEO of Keppel O&M was conferred the 'Champion of HR' award at the HRM 2012 Awards presentation on 23 February 2012.

The award recognises a CEO who demonstrates leadership and integrity in driving diversity and flexibility in the organisation, and is effective in leading his company towards excellent human resource

management and practices. The 2012 Awards witnessed more than 90 finalists competing in 21 categories, and was judged by Singapore's Workforce Development Agency, the Tripartite Alliance for Fair Employment Practices, and Towers Watson.

This award is testament to the strong commitment by Keppel O&M's management to the holistic approach towards people development in the company.



Mr Tong Chong Heong, CEO of Keppel O&M, giving his remarks after receiving the "Champion of HR" award at the HRM 2012 Awards presentation.



1 Keppel O&M management launched the Singapore Kindness Movement Singa Bench during A.C.T.I.V.E Day 2012.

2 Keppelites spent a leisurely Sunday at the Labrador Nature Reserve, working out to moves choreographed to represent Keppel's eight core values during the annual Keppel Walk-n-Fun day on 14 October 2012.



PEOPLE DEVELOPMENT

Following the conference, a union election was held and Mr Razali Bin Maulod, former Vice President of KEU, was elected as the new President, taking over from Mr Mohd Yusop B Mansor.

Our overseas business units are also focused on maintaining good industrial relations. Keppel Batangas Shipyard and Keppel Subic Shipyard, our yards in the Philippines, saw the renewal of the Collective Agreements for their workforce in 2012.

Over at Keppel Singmarine Brasil, our shipbuilding yard in Navegantes, Santa Catarina, a collective agreement was made with its union. Caspian Shipyard in Azerbaijan also continues to actively support its union in the organisation of events and activities for its workforce.

INTEGRATING OUR FOREIGN WORKERS

At Keppel O&M, we are committed to support the smooth assimilation





- 1 Mr Lim Swee Say (third from left), Secretary-General, National Trades Union Congress and Minister, Prime Minister's Office, was the Guest of Honour at the Keppel Employees Union 2nd Quadrennial Delegates' Conference in August 2012.
- 2 Caring for the emotional health of its residents, Keppel Housing offers counselling services which are provided by a team of trained welfare officers.
- 3 Keppel FELS holds Subcon Night regularly to dialogue with our subcontractors and receive feedback on productivity improvements.

of our foreign workers into their new living environment in Singapore. Keppel O&M was the first company in Singapore to provide highly-subsidised dormitories for our foreign workers. To-date, we have developed and are managing five dormitories – Acacia Lodge, Juniper Lodge, Lantana Lodge, Kian Teck Dormitory and Cassia@Penjuru.

Our five dedicated dormitories offer modern amenities such as canteens, minimarts, barber shops and wet markets that cater to the daily needs and well-being of the residents. The dormitories are also equipped with a wide range of recreational amenities such as multi-purpose halls, gymnasiums, basketball courts and computer facilities. Recreational activities such as sporting tournaments are organised regularly at the dormitories to promote harmonious living among the foreign workers.

Other than catering to their physical needs, Keppel O&M also ensures that the mental and emotional health of our foreign workers are taken care of. We believe that this will enable the workers to achieve greater productivity and to better focus on safety.

To manage the emotional well-being of the workers, there are regular visits to the dormitories by the Keppel O&M management and union leaders to obtain feedback from the workers. The dormitories also actively organise educational roadshows in collaboration with government agencies such as the National Environment Agency and the National Council for Problem Gambling. Keppel Housing also provides counselling services, including a 24-hour emergency helpline, which is manned by trained counsellors.

COMMUNITY DEVELOPMENT

As a committed and responsible corporate citizen, we actively seed and support causes spanning knowledge building and education, social development as well as environmental protection.



Keppel O&M employees shed their boiler suits for their sports gear in Community Chest's Heartstrings Walk 2012.

At Keppel Offshore & Marine (Keppel O&M), we take an active interest and ownership in sustaining the development of our industry as well as the communities in which we operate. In 2012, Keppel O&M's global network of yards and offices contributed to a wide range of causes. Recognising that everyone has a part to play in building a better environment and community, we encourage all our employees to organise and participate in community development initiatives wherever Keppel is present.

FORTIFYING OUR INDUSTRY

Keppel O&M continues to actively share our insights at regional and international platforms, as well as cultivate talents to advance our industry with the aim of providing value-added services and solutions to customers worldwide.

Through talks at schools, educational visits and internship programmes, we aim to expose the young to the opportunities and challenges in our sector.

EXPANDING OUR KNOWLEDGE POOL

In 2012, we continued to support several long term initiatives for

knowledge building such as the Keppel Professorship at the National University of Singapore (NUS). This initiative brings together academics and industry professionals to share their insights and experiences, spur research projects, and encourage the development of new offshore technologies.

The Keppel Professorship conducts annual public lectures to provide a platform to discuss the latest offshore and marine innovation and trends. Professor Kazuo Nishimoto, Head of Department of Naval Architecture & Ocean Engineering, Polytechnic School of University of São Paulo, Brazil, spoke on the sophisticated technology essential to the Numerical Offshore Tank – A Deep Water Technologies Development Tool in Brazil, at the 10th Keppel O&M Lecture held in October 2012.

As a founding member of NUS' Centre for Offshore, Research and Engineering (CORE), Keppel O&M continues to facilitate joint participation in research and development (R&D) by the industry, academic institutions and government agencies. We also support the

annual Chua Chor Teck Memorial Lecture organised by the Society of Naval Architects & Marine Engineers Singapore.

In addition, Keppel O&M and the Institute of Technical Education (ITE) are jointly collaborating on a Maritime Training Centre at the new ITE College Central campus at Ang Mo Kio. The objective of the centre is to educate our young on the offshore and marine engineering sector through instructive panels and exhibits, and also provide an opportunity for the ITE students to consider a career in the offshore and marine sector. The centre will also be used as a training facility to conduct maritime and offshore engineering-related lessons for the students.

Also installed at the centre is a scaled down version of an Anchor Handling Tug/Supply vessel which Keppel O&M constructed and donated to ITE for training purposes. This structural model serves as a useful tool for conducting training in hull fabrication, welding, electrical works, pipe fabrication, air testing, quality control and confined space training when the ITE Maritime Training Centre opens in 2013.



CONNECTING GLOBAL INDUSTRY

Besides academic events, Keppel O&M also actively participated in trade and industry conventions and exhibitions. At the 26th Offshore Technology Conference (OTC) held in Houston, we showcased our technologies and capabilities while celebrating Keppel O&M's 10th anniversary with customers, business associates, partners and friends. At the annual Pareto Oil & Offshore Conference held in Oslo, Norway, Keppel O&M updated customers and the investing community on its latest innovations and solutions for the industry.

To deepen business ties between Latin America and Singapore, Keppel O&M extended its support once again to the Latin Asia Business Forum, which was well-attended by key business leaders and government officials from Latin America and Asia. The annual forum seeks to promote trade and partnership opportunities between the two continents.

GROWING TALENT POOL

At Keppel O&M, we nurture future generations of talents, recognising that people underpin the success of the Group.

In 2012, we continued to inspire entrants and groom talents for the industry by contributing to awards and book prizes. During the year, a total of 17 awards sponsored by Keppel O&M were given out at various educational institutions, including National University of Singapore, Nanyang Technological University, Ngee Ann Polytechnic and Newcastle University. These awards were given to top students with outstanding academic performance.

In addition, Keppel O&M hosts regular yard visits, conducts school talks and offers internships to full-time



(Left to Right) Mr Teo Eng Cheong, CEO, IE Singapore, Mr Chow Yew Yuen, COO of Keppel O&M, Mr Sunny Verghese, Chairman, IE Singapore, Mr Lee Yi Shyan, Senior Minister of State, Ministry of Trade and Industry, Mr Michael Chia, MD (Marine and Technology), Keppel O&M, and Mr Keith Teo, GM, Marketing, Keppel FELS at the 2012 Latin Asia Business Forum which was supported by Keppel O&M.

COMMUNITY DEVELOPMENT

students from various schools, to raise awareness of the business and to attract potential talents to consider future employment with the company. In 2012, Keppel O&M reached out to more than 1,500 students through its yard visits and school talks.

ENRICHING OUR COMMUNITIES

Driven by our strong belief in sharing the fruits of our success and giving back to the community, our employees worldwide participate in community activities that benefit people from all walks economically, socially, and culturally. Through corporate volunteerism and community involvement programmes, we instill in our workforce a mindset to care for the well being of others.

SUPPORTING THE LESS PRIVILEGED

Keppel O&M participated in various community outreach events in 2012, in line with our commitment to be a responsible corporate citizen. The highlight of the year was the Keppelite Charity Concert, with the

theme "Igniting Hearts", which was organised as part of Keppel O&M's 10th anniversary celebrations.

Held on 9 September 2012 at the University Cultural Centre, National University of Singapore, the concert was a showcase of talents as over 200 Keppelites from Keppel O&M put up performances in the name of charity. There was also an auction and sale of special commemorative items as part of the fundraising activity.

The two key beneficiaries of this concert were the Straits Times School Pocket Money Fund and Association for Persons with Special Needs. Former President of Singapore, Mr S R Nathan, graced the event as our Guest of Honour. The concert, as well as the other fundraising activities raised more than \$365,000.

As a partner of the Community Chest of Singapore's (ComChest) Heartstrings Walk 2012, Keppel O&M contributed \$50,000, as well as

another \$10,000 for the Christmas ChariTrees @ Marina Bay. Keppel O&M employees participated in the walk as well as a vertical marathon event held at the 57 storey Marina Bay Sands. We also donated to Majilis Pusat for Singapore's Hari Raya Light Up on 15 July 2012. This festive and cultural event, which was graced by Singapore President Tony Tan, showcased and celebrated Singapore's multi-ethnic character.

To further contribute to the less fortunate, Keppel O&M donated \$50,000 to the Society for the Physically Disabled (SPD) for programmes and services that go towards supporting more than 3,000 beneficiaries.

In recognition of our contribution to the Community Chest, Keppel FELS and Keppel Singmarine were both awarded the SHARE Platinum Award by the Community Chest, and the Gold Award was given to Keppel Shipyard.

Over in the US, Keppel AmFELS continued to award scholarships





2

1 Children of Keppelites performed a heart-warming song "Save My World" at the Keppel O&M Keppelites Charity Concert in September 2012.

2 Dr Lee Boon Yang (right), Chairman of Keppel Corporation and Mr Choo Chiau Beng (left), CEO of Keppel Corporation and Chairman of Keppel O&M, with Guest-of-Honour and former President of the Republic of Singapore, Mr S.R. Nathan, at Keppelites Charity Concert 2012 to celebrate Keppel Offshore & Marine's 10th anniversary.

3 Mr Tan Geok Seng (third from right), President and CEO of Keppel AmFELS and Mr Gilberto Elizondo (right), VP of Human Resources of Keppel AmFELS, presented cheques to the children of Keppel AmFELS employees to help them further their studies.

under the Keppel AmFELS Dependent Scholarship Fund. This fund was established to provide grants for undergraduate tuition expenses incurred by dependents of eligible employees for full-time study at accredited colleges or universities. The yard also held the eighth Annual Charity Golf Tournament on October 2012, raising US\$80,000 for local charities.

In addition, Keppel AmFELS sponsored and supported initiatives undertaken by the Offshore Energy Centre's (OEC) Mobile Oilfield Learning Unit (MOLU). Formed with the intent of expanding the OEC's education outreach in schools across Texas, the MOLU is a travelling exhibit that features six self-contained, kiosk-style learning centres. They feature curriculum-based, hands-on activities about energy, and the technologies and sciences involved with the oil and natural gas industry.



3

Over in Brazil, Keppel Singmarine Brasil extended help to the community with contributions to a local school, Escola Municipal Izilda Reiser Mafra. With the aim of enhancing the quality of life of the residents in the city of Navegantes, where the yard is based, Keppel Singmarine Brasil also contributed 10 public bus shelters.

In 2012, Keppel FELS Brasil's BrasFELS yard adopted Casa Abrigo da Crianca e do Adolescente (Home for the Children and Adolescents) to support underprivileged and needy children in Brazil. A group of BrasFELS volunteers celebrated Christmas with the children at the Home on 21 December 2012.

COMMUNITY DEVELOPMENT

In the Philippines, Keppel Batangas Shipyard, along with the local government unit of the Municipality of Bauan, province of Batangas, and Gawad Kalinga Community Development Foundation (GK), completed a 60-unit housing development project – named Keppel-GK Eco Village – in May 2012. The Eco Village was built on a 1-hectare property provided by the local government using GK's sustainable development template that aims to address the basic needs of the residents.

Keppel Group donated a total of PHP 9 million to the development of this Eco Village. A proportion of this sum was raised from Keppel's business units and employees in Singapore through a fundraising activity organised by Keppel Volunteers and Keppel Young Leaders to promote volunteerism. Employees from Keppel Batangas Shipyard had also actively volunteered at the Keppel-GK Eco Village, participating in the construction process after work, over weekends and during public holidays.

Following the completion of the Eco Village, Keppel Batangas Shipyard helped to start a SIBOL (meaning

'to grow' in Tagalog) Learning Centre at the Village, which provides kindergarten level pre-school education under the supervision of its volunteer teachers. Children's educational materials, like books, were donated by Keppel employees to its library, 'Libro Mo, Library Ko' (Your Books, My Library).

PROTECTING THE ENVIRONMENT

As responsible stewards of our environment, Keppel O&M continues to support eco-friendly initiatives and encourage its employees to adopt green behaviour.

At the Earth Hour event on 31 March 2012, all our seven yards in Singapore, as well as two shipyards in the Philippines, collectively switched off non-essential lightings from 8.30pm to 9.30pm in a show of support to the global initiative. Other promotional activities such as environmental-themed videos and quizzes were also organised at the Singapore dormitories to inculcate the importance of green practices in our foreign workers.

At Keppel Singmarine, several employees volunteered to participate in a coral nursery project supported

by the Keppel Group, as part of National Parks Board's initiative to preserve Singapore's biodiversity.

Volunteers from Keppel Batangas Shipyard, together with home owners of the Keppel-GK Eco Village, played their part for the environment by planting trees along the slopes of Sinala creek behind the Eco Village to prevent soil erosion. At the International Coastal Clean Up Day on 15 September 2012, 200 volunteers from the yard participated in the clean-up, removing trash that could endanger marine life and the environment.

Over at the other yard in the Philippines, Keppel Subic Shipyard collaborated with the Philippine National Police and the local fisherfolks' association to participate in the Subic Coastal Clean-up Drive organised by the Municipal Fisheries and Aquatic Resources Council.

PROMOTING ARTS AND SPORTS

As a supporter of the arts and sports, Keppel O&M is committed to promoting cultural appreciation and active lifestyles to create platforms for social interaction and build strong ties with members of the industry.



The Keppel GK-Eco Village in the Municipality of Bauan, Batangas, in the Philippines provides a safe and healthy living environment to 60 needy families and their children.



In August 2012, Keppel O&M employees participated in the Capoeira workshops, a Brazilian martial art that combines elements of dance and music. The classes were organised as part of the ninth International Capoeira Festival, which Keppel O&M sponsored in support of the growing cultural exchange between Singapore and Brazil.

Other than recreational play, Keppel O&M participated in sporting events aimed at raising funds for the needy. Nine employees from Keppel Verolme joined the world's largest cycling squad of 12,000 cyclists in 'Ride for the Roses 2012' to raise funds for a Dutch charity group, KWF Cancer Society.

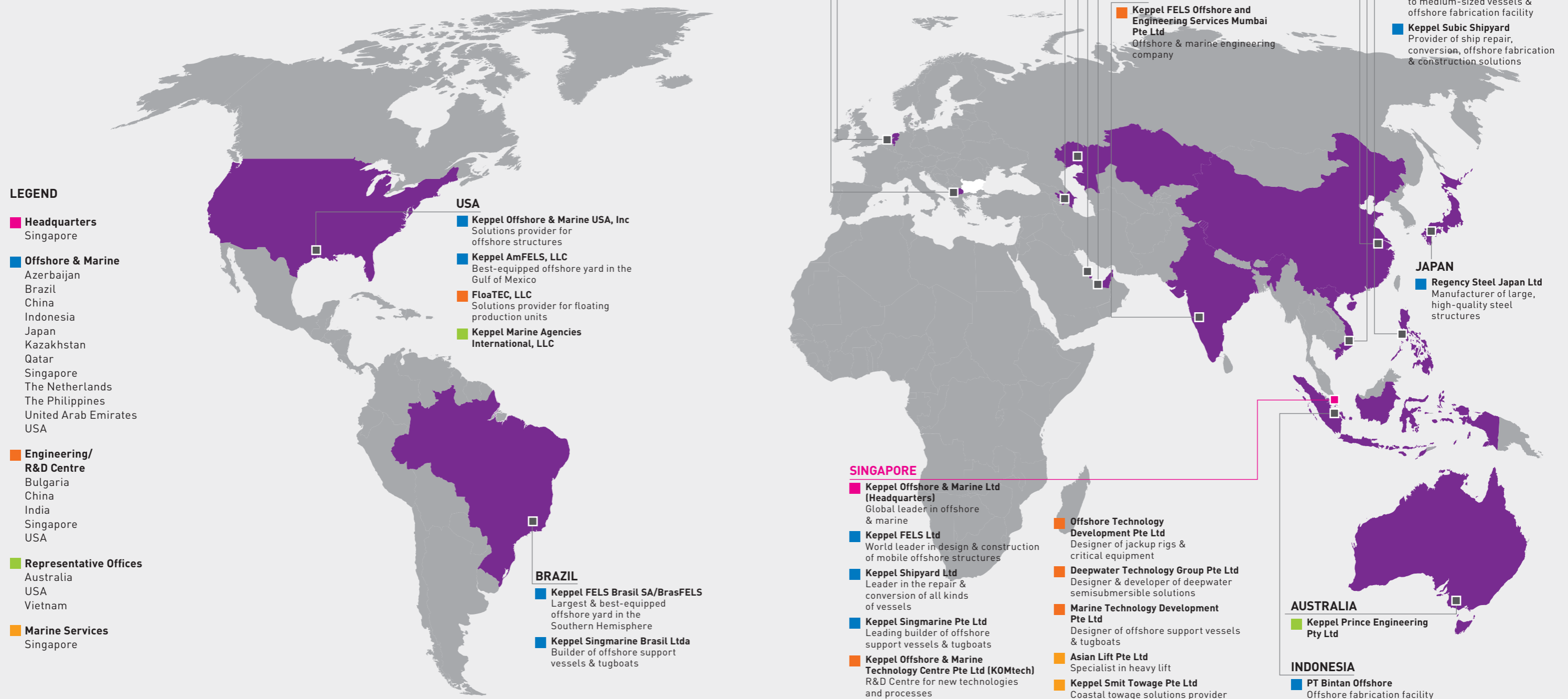
In the US, Mr Michael Holcomb, President/Director of Keppel Marine Agencies, participated in the annual Houston-to-Austin BP MS 150 Charity bike ride with riders from Transocean. The 180-mile ride is the largest cycling event of its kind in North America to raise funds for multiple sclerosis research.



- 1 Keppel O&M's dormitories for foreign workers participated in Earth Hour 2012 by rallying its residents to form the Earth Hour 60+ logo using candles.
- 2 BrasFELS volunteers spread the Christmas cheer at Casa Abrigo da Crianca e do Adolescente, a home for children, on 21 December 2012.
- 3 Nine employees from Keppel Verolme joined the world's largest cycling squad of 12,000 cyclists in 'Ride for the Roses 2012' to raise funds for a Dutch charity group, KWF Cancer Society.

GLOBAL NETWORK

YARDS & OFFICES: Harnessing the synergy of 20 yards worldwide keeps us *Near Market, Near Customer.*



GLOBAL NETWORK FACILITIES

	Total land area (square metres)	Type	Dock capacity Capacity (dead weight tonnes)	Berthage			Outfit quay		
				Size (metres)	Length (metres)	Draft (metres)	Building berth (capacity)	Length (metres)	Depth (metres)
SINGAPORE									
KEPPEL FELS LTD (PIONEER)	284,292.3								
Admiral Dock		Drydock	400,000	380 x 80	380	13			
Fels Can Do		Semisubmersible Barge	30,000 lifting	138 x 78					
		Berthspace					1,400	8 – 10	
PIONEER YARD II	139,073	Berthspace					350	4.5 – 6	
SHIPYARD ROAD	88,289	Berthspace					500	4.5	
CRESCENT YARD	98,919	Berthspace					740	6	
TUAS SOUTH YARD	131,289	Outfit Quay					300	4 – 5	
KEPPEL SHIPYARD LTD (TUAS)	443,423				2,507				
Tuas Dock		Drydock	360,000	350 x 66		6.6			
Raffles Dock		Drydock	400,000	400 x 64		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			230	6.1			
West Quay		Berthspace			450	7.1			
South Quay		Berthspace			177	8			
Raffles Dock Entrance		Berthspace			220	7.1			
KEPPEL SHIPYARD LTD (BENOI)	350,000				1,779				
Drydock No. 1		Drydock	300,000	350 x 60					
Drydock No. 2		Drydock	170,000	300 x 60					
No.1 Quay					217	7			
No.2 Quay					112	10			
No.2 Quay/Extension					340	12			
No.3 Quay					270	8			
No.4 Quay					224	7			
No.5 Quay					156	7			
Landing Quay					100	5			
KEPPEL SHIPYARD LTD (GUL)	140,000				530				
FD No. 1		Floating Dock	14,000 lifting	190 x 32					
FD No. 2		Floating Dock	5,000 lifting	114 x 27					
FD No. 3		Floating Dock	12,000 lifting	170 x 27					
North Quay 1		Berthspace			177.5	5			
North Quay 2		Berthspace			193	6.5			
North Quay 3		Berthspace			160	6.5			
KEPPEL SINGMARINE PTE LTD	146,794								
Drydock in Benoi 5		Drydock	5,000	105 x 18.5		8.2			
Building Berth in Benoi 15		Slipway		225 x 70					
Building Berth in Benoi 5		Slipway		120 x 24					
Wharf in Benoi 5		Wharf			60	5			
Quay 5 in Benoi 15		Berthspace			156	7			
AZERBAIJAN									
CASPIAN SHIPYARD COMPANY LTD	60,000								
Yusif Ibrahimov (Hull 901)		Floating Dock	15,000	128 x 74.5		6.5			
Floating Dock (Hull 953)		Floating Dock	5,000	128 x 21.7		6.5			
Floating Dock (Hull 806)		Floating Dock	4,500	102 x 20		6.5			
Jetty 3							316	6.5	
Jetty 4							100	4.5	
BRAZIL									
KEPPEL FELS BRASIL SA (BRASFELS YARD)	540,000								
Drydock		Graving Dock		125 x 70					
FS1 Floating Dock	22,000	Floating Dock		120 x 57	130	19			
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			357	12			
Finger Pier West		Outfit Quay			357	11.5			
Outfit Pier East		Outfit Quay			300	6 – 7			
Outfit Pier West		Berthspace			120	7 – 8			
Slipway 2 Pier		Berthspace			160	8 – 9			
Slipway 3 Pier 1		Outfit Quay			160	9 – 10			
Slipway 3 Pier 2		Outfit Quay			160	9 – 10			
KEPPEL SINGMARINE BRASIL LTDA	74,000								
Shipway No. 1		Slipway		130 x 28					
Quay No. 1		Berthspace			89	6			

	Total land area (square metres)	Type	Dock capacity		Berthage			Outfit quay		
			Capacity (dead weight tonnes)	Size (metres)	Length (metres)	Draft (metres)	Building berth (capacity)	Length (metres)	Depth (metres)	
CHINA										
KEPPEL NANTONG SHIPYARD CO. LTD	160,000									
Slipway No. 1		Slipway	3,000	90 x 33						
Wharf No. 1		Wharf			200	7				
KEPPEL NANTONG HEAVY INDUSTRY CO. LTD	265,900									
Slipway No. 2		Slipway	24,000	140 x 84						
Wharf No. 2		Wharf			160	7				
KAZAKHSTAN										
KEPPEL KAZAKHSTAN LLP	444,058									
North Yard		Launching Way		220 x 100		4.5				
		Load-out Quay						243	4.5	
		Berth space						488	4.5	
THE PHILIPPINES										
KEPPEL SUBIC SHIPYARD, INC	666,933									
Pacific Dock		Graving Dock	550,000	550 x 65						
C Quay					279	9				
E1 Quay					351	9				
E2 Quay					312	9				
KEPPEL BATANGAS SHIPYARD	353,000									
President Dock		Graving Dock	50,000	200 x 38						
Ship Lift System		Lift Platform	20,000	172 x 28						
		Dry Berth: 8 off	Dry Berth: 8 off							
Pier No. K1					68 x 2	6				
Pier No. K2					83 x 2	6				
Pier Block No. 1					183	8				
Pier Block No. 2					160	8				
Pier Block No. 3					70	8				
Pier Block No. 4					155	8				
THE NETHERLANDS										
KEPPEL VEROLME BV	554,000						1,600	9 – 12	400	9 – 12
Dock No. 5		Graving Dock	65,000	230 x 35.5		9.8				
Dock No. 6		Graving Dock	130,000	275 x 41		10.6				
Dock No. 7		Graving Dock	500,000	405 x 90		12.2				
QATAR										
NAKILAT-KEPPEL OFFSHORE & MARINE LTD	508,000						2,400			
Dry Dock No. 1		Drydock	350,000	360 x 66	360	11				
Dry Dock No. 2		Drydock	450,000	400 x 80	400	12				
1 Quay					400					11
1 Quay					400					11
Loading Quay					150					11
1 Pier					400					11
1 Pier					400					11
1 Pier					400					11
1 Pier					400					11
UNITED ARAB EMIRATES										
ARAB HEAVY INDUSTRIES PJSC	273,000									
Al Zora Drydock		Graving Dock	30,000	175 x 32		7				7
Slipway No. 1		Slipway	*1,500	120 x 16						
Slipway No. 2		Slipway	*1,500	120 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					7
East Wharf		Wharf			200					5
West Wharf		Wharf			83					5
USA										
KEPPEL AMFELS, LLC	554,000									
Floating Drydock (Rig mode)		Floating Drydock	35,054	94 x 111		10				
Floating Drydock (Ship mode)		Floating Drydock	35,054	37 x 189		10				
Launching Way					380	9.14				
West Dock Quay					153	9.14		153	9.14	
East Dock Quay					297	10.67		297	10.67	

* Light Displacement Tonnage

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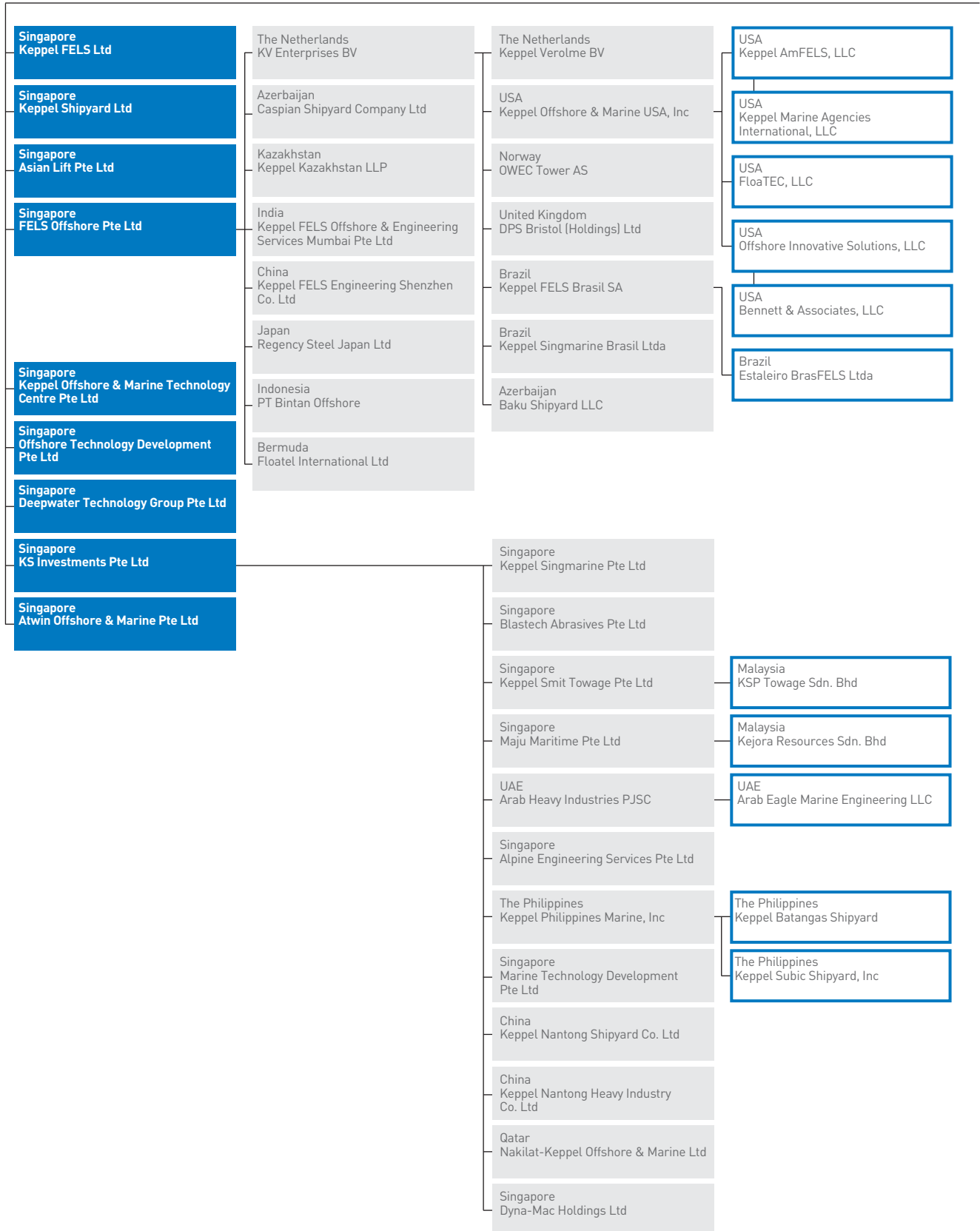
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