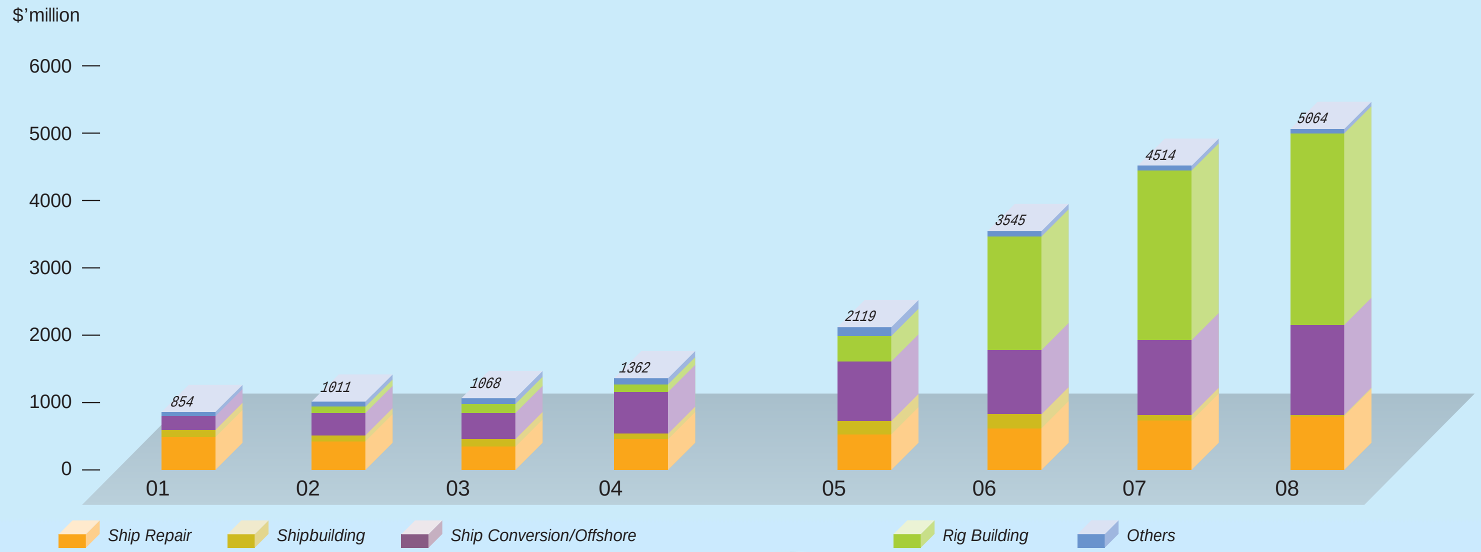
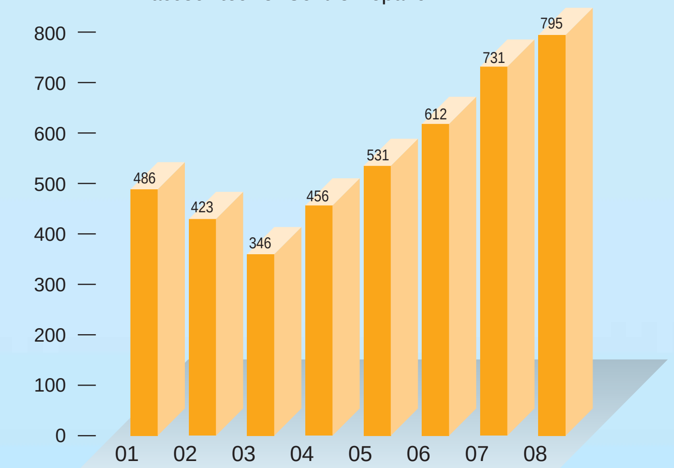
MARKET REVIEW & OUTLOOK

CORE BUSINESSES (REVENUE 2001 TO 2008)



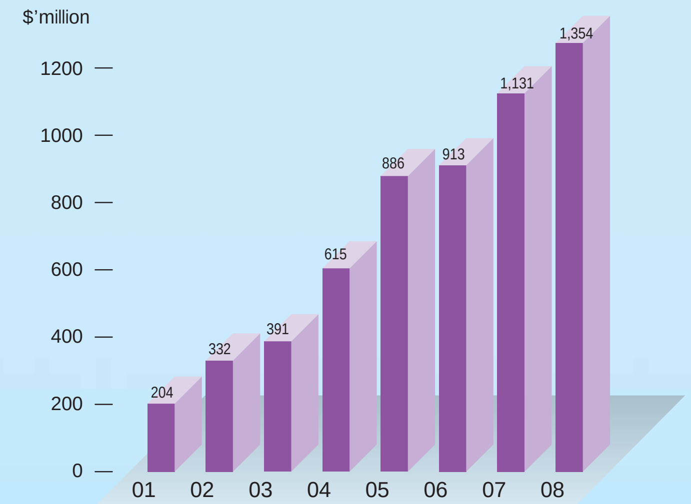
SHIP REPAIR

- Ship repair recorded turnover increase of 8.7% from $731.1 million in 2007 to $794.8 million in 2008.
- Total of 269 vessels docked for repairs and maintenance, an improvement over 256 vessels in 2007.
- Vessels from Alliances, Favoured Customer Contracts and other regular customers accounted for 86% of repairs.



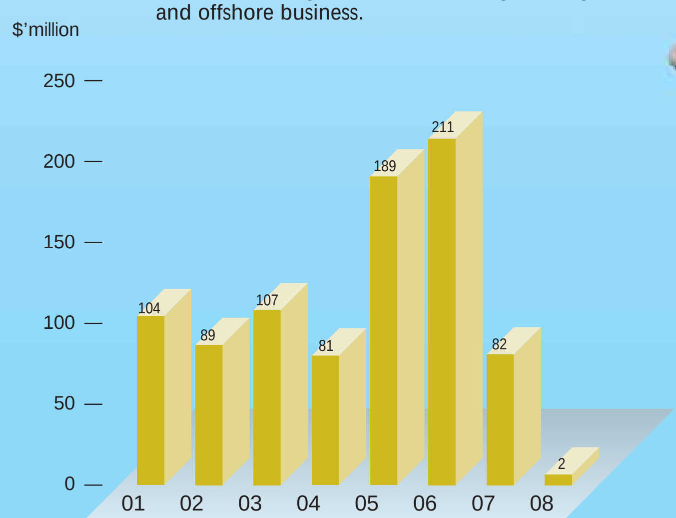
SHIP CONVERSION & OFFSHORE

- Ship conversion & offshore registered highest growth at 20% from $1.1 billion in 2007 to $1.4 billion in 2008.
- Major completions included conversion of three tankers to FPSO, one FSO, one newbuilt hull to heavy-lift derrick pipelay vessel and topsides fabrication and integration of newbuilt FPSO.



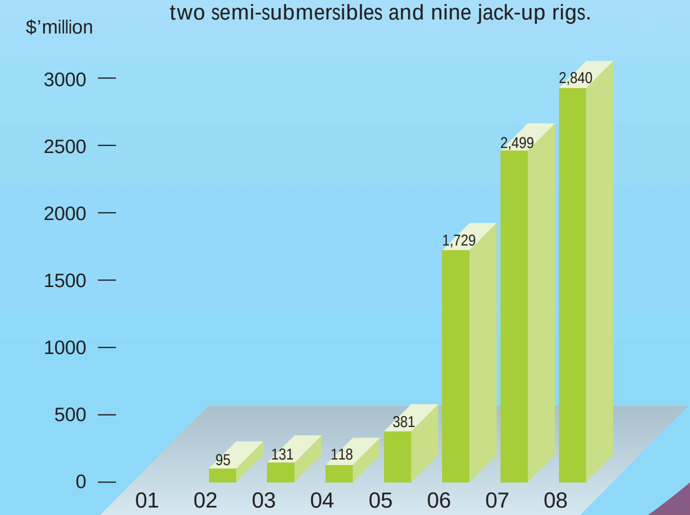
SHIPBUILDING

- With delivery of all three units of shipbuilding projects in 1H 2008, there will be no shipbuliding projects going forward.
- Deliberate scaling down to focus on rig building and offshore business.



RIG BUILDING

- Rig building registered a 14% growth at $2.8 billion compared with $2.5 billion in 2007.
- A record total of 11 rigs were delivered on time and ahead of schedule in 2008. These included two semi-submersibles and nine jack-up rigs.



Aerial view of Jurong Shipyard.

Aerial view of Sembawang Shipyard.

World Economic Outlook

According to the International Monetary Fund (IMF) in its latest update in January 2009, world growth is projected to fall to 0.5 per cent in 2009, its lowest rate since World War II. Despite wide-ranging policy actions, financial strains remain acute, pulling down the real economy. A sustained economic recovery will not be possible until the financial sector's functionality is restored and credit markets are unclogged.

	2007 %	2008 %	Projections 2009 %	Projections 2010 %
World Output	**5.2**	**3.4**	**0.5**	**3.0**
Advanced economies	2.7	1.0	-2.0	1.1
United States	2.0	1.1	-1.6	1.6
Euro area (15)	2.6	1.0	-2.0	0.2
Japan	2.4	-0.3	-2.6	0.6
Other advanced economies	4.6	1.9	-2.4	2.2
Emerging market and developing economies	8.3	6.3	3.3	5.0
Africa	6.2	5.2	3.4	4.9
Central and Eastern Europe	5.4	3.2	-0.4	2.5
Commonwealth of Independent States	8.6	6.0	-0.4	2.2
Developing Asia	10.6	7.8	5.5	6.9
China	13.0	9.0	6.7	8.0
Middle East	6.4	6.1	3.9	4.7
Western Hemisphere	5.7	4.6	1.1	3.0

Source : IMF

While the financial turmoil has a dampening impact on the world economy and the current oil prices, the long-term fundamentals and outlook for the marine and offshore industry continue to be positive in the light of continued global reliance on oil and gas and accelerating depletion of oil and gas reserves.

The long view is still positive

The International Energy Agency (IEA), in its 2008 World Energy Outlook, forecasts demand for primary energy to grow at a rate of 1.6 per cent each year through 2030. Most of the demand will come from emerging areas, particularly China and the Middle East, with China accounting for 43 per cent of oil demand between 2007 and 2030 and Middle East and India each contributing an additional 20 per cent. The Organisation of the Petroleum Exporting Countries (OPEC), in its 2008 World Oil Outlook, further predicts world oil demand to grow 113.3 mb/d by 2030, an increase of around 27 mb/d.

ExxonMobil sees world energy demand growing 1.2 per cent per year through 2030, generating the equivalent of 310 mboe/d in 2030 compared with 229 mboe/d in 2005. It also foresees that transportation demand will grow by 40 per cent, power generation by 50 per cent, industrial by 28 per cent and residential/commercial by 10 per cent.

To meet this growing demand and to offset depleting field production, new supplies of oil must be found. The average production-weighted decline rate of worldwide oil fields is about 6.7 per cent for fields that have passed their production peak. This rate is expected to grow to 8.6 per cent in 2030. In the long view, there is a widely held consensus that an increasingly pressing need exists to find new oil sources. There is also a consensus that the deepwater frontier represents one of the best opportunities for finding new large sources of oil.

MARKET REVIEW & OUTLOOK

Dhirubhai-1, India's first deepwater FPSO vessel.

Oil will remain the world's main source of energy for years to come

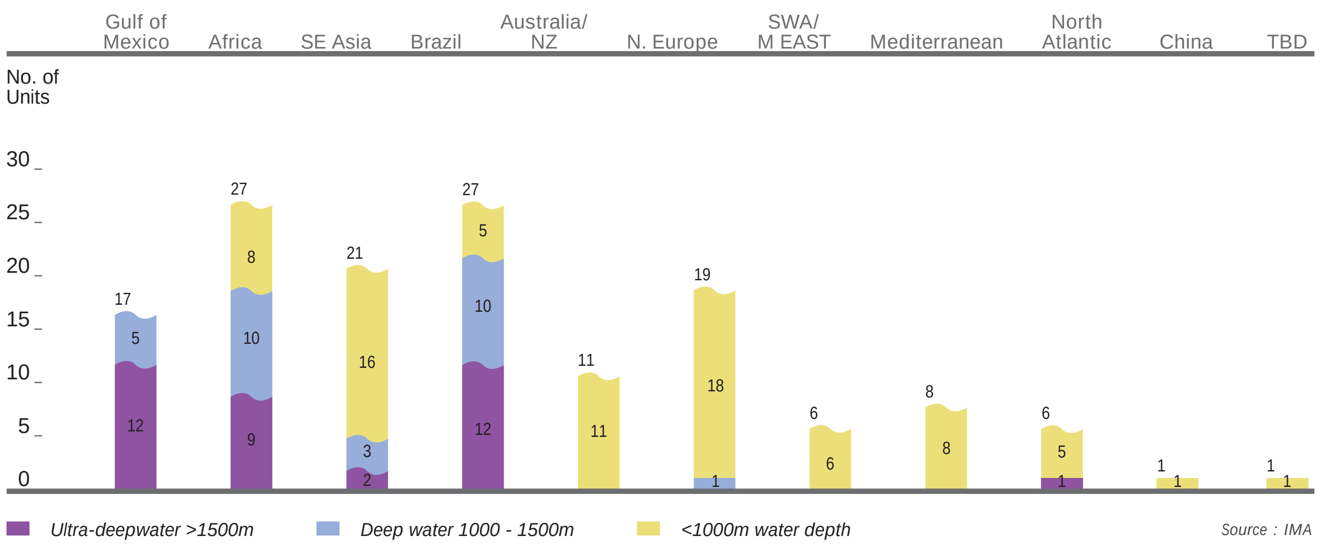
The IEA believes that oil will remain the world's main source of energy for many years to come, even under the most optimistic of assumptions about the development of alternative fuel sources. But the sources of oil, the cost of producing it and the prices that consumers will have to pay are extremely uncertain. The IEA feels that while market imbalances will feed price volatility, the era of cheap oil is over.

Floaters being planned or under study

There are now 232 floating production systems in service worldwide. Floating-production-storage-offloading (FPSO) vessels comprise 62 per cent of the current total, production semis 18 per cent, tension leg platforms 9 per cent, production spars 7 per cent, production barges 3 per cent and floating-storage-regasification units (FSRUs) 1 per cent. There are also 86 floating-storage-offloading (FSO) vessels, without production capability, in service worldwide.

IMA's December 2008 report identifies 143 projects currently in the bidding, design or planning stage that potentially require floating production or storage systems. West Africa and Brazil are the most active regions, with 27 projects each in the bidding or planning stage, followed by Southeast Asia, Europe and the Gulf of Mexico. In terms of water depth, 36 projects are in ultra-deepwater, 29 in water depth between 1,000 and 1,500 metres and 78 in less than 1,000 metres.

OFFSHORE PRODUCTION MARKET : FLOATERS



Source : IMA

Emerald Driller, a proprietary Pacific Class 375 jack-up rig delivered by PPL Shipyard 48 days ahead of schedule.