

The Shipbuilder

December 2007

Ten Years Ago...

The December 16, 1997 signing of the Master Agreement between Kvaerner and Local, State and Federal governmental agencies returned shipbuilding to Philadelphia and laid much of the groundwork for the Aker Philadelphia Shipyard we know today.

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Seasons Greetings from Dave Meehan, President & CEO

As 2007 draws to a close and we look ahead to the challenges, and ultimately the successes which lie before us, I want to personally thank each and every member of the extended family of Aker Philadelphia Shipyard for your commitment to this wonderful yard.

While the day-to-day tasks facing every employee are difficult and complex, our collective resolve is showing results. Three state-of-the-art vessels delivered during the year, each of increasing quality and decreasing build time, have continued to transform

the perception of the yard from skepticism to confidence.

From my family to yours, I extend to you wishes for a happy and healthy holiday season as well as a new year which is safe and personally fulfilling.



Third Product Tanker Delivered

The third product tanker built by Aker Philadelphia Shipyard was delivered to Overseas Shipholding Group on Friday, November 16th. A Naming Ceremony for the vessel was held the following afternoon, and the ship departed the yard a few days later to begin transporting petroleum products for BP Shipping.

The *Overseas Los Angeles* had the shortest building time of any vessel constructed by the yard. Following very successful sea trials, it was deliv-

ered per the original planned delivery date with no remaining work to complete, both significant achievements.

This is the second vessel de-

livered for service with BP and the third ship delivered during 2007, a clear indication of the commitment to delivering on our promises evident throughout the entire organization.



Hull 007, the *Overseas Los Angeles*, on the Delaware River during sea trials.

Aker Philadelphia Shipyard Listed on Oslo Stock Exchange

Aker Philadelphia Shipyard has been listed as a publicly traded company on the Oslo Stock Exchange. It's ticker symbol is AKPS.

Previously a sister company to the group's ship-owning operations and a subsidiary of Aker American Shipping, the shipyard and ship owner both grew faster than expected, prompting the Board of Aker

American Shipping to approve splitting the operations into two separately listed entities.

Among other benefits, splitting the companies yields two focused organizations, each with the ability to improve growth opportunities on a stand-alone basis.

For employees, the new listing will have zero impact on day to day operations, with the

shipyard continuing 'business as usual' in constructing premier vessels for the US Jones Act market.

First day of trading for the shares was December 17. Shares on the Oslo Stock Exchange can be tracked by visiting the organization's website, www.ose.no, or via the shipyard's website, www.akerphiladelphia.com.

2007 - Year in Review

2007

February	005 Delivered New Union Agreement
March	006 Launched 009 Production Start
June	006 Delivered
July	Crane Rail Extension Completed
August	007 Launched 010 Production Start
October	Agreement Reached for 2 More Tankers 010 Keel Laying
November	007 Delivered
December	Aker Philadelphia Shipyard Listed on Oslo Stock Exchange

In terms of vessels delivered, 2007 was a year unmatched by any other in the history of Aker Philadelphia Shipyard. In the span of 11 months, three vessels were delivered by the yard: Hull 005, the *Overseas Houston* (February), Hull 006, the *Overseas Long Beach* (June) and Hull 007, the *Overseas Los Angeles* (November).

The challenges presented by any series' first vessel resulted in a moderate delay in delivering the first tanker, but continuous improvements from ship to ship have been evident, with the third tanker delivered within two weeks of its original planned date.



Hull 005, the *Overseas Houston*.

In addition to the three vessels delivered during the year, two new tankers were started, the fifth and sixth ships in the current build program.

Working to our values while targeting our operational goals was an overriding theme surrounding all the year's efforts, and one which will be continued going forward. AIM 200 initiatives were developed to advance the yard into a facility which consistently delivers three ships per year.

As a direct result of one such initiative, for the first time in the yard's history an engine room section - not a less complex double bottom section - was set first in the dock on Hull 010, following the preferred build methodology for the tanker vessels.

Several infrastructure improvements were also com-



1E11 of Hull 009 is set in the dock.

pleted during the year, including an extension of the Building Dock's east luffing crane's rails north to the full length of the dock and improvements to the yard's main entrance.

During the year an eye was also kept on the future, as an exclusive cooperative agreement covering containerships was reached with Hyundai. Additionally, agreements were signed for two new product tankers, and the announcement was made that APSI-built ships will be the first to serve the emerging shuttle tanker market in the Gulf of Mexico.

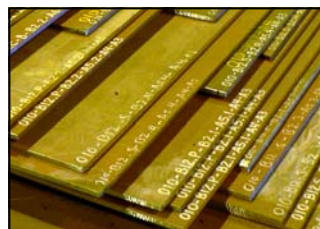
2008

Winter	008 Launch 011 Production Start
Spring	008 Delivery 009 Launch
Summer	012 Production Start 1st apprentice class graduates
Fall	009 Delivery 010 Launch 013 Production Start

2008 - Charting a Course

In 2007, we made a clear statement to our stakeholders and the market we serve that Aker Philadelphia Shipyard delivers on its promises, on time, and with quality. The year ahead will provide ample opportunities to reinforce this view of the yard.

For the first time ever, six vessels will be under construction during the calendar year. Two more ships in the tanker series are scheduled for delivery (Hulls 008 & 009), while construction will begin on three additional vessels in the program (Hulls 011, 012 & 013). Hull 010 will begin the year as pieces of steel in



Plates from Hull 010. The vessel will be launched in 2008.

the fabrication shops and end the year undergoing testing and commissioning in the Outfitting Dock.

In July, having completed the prescribed four-year curriculum, the first class of professional shipbuilders will graduate from the yard's very successful apprenticeship program.

Improvements to the yard's infrastructure will continue in 2008 as well, with the construction of a new lunchroom, locker room and training facility to be located in the area north of Building 620. The structure will be a modern space usable by production employees.

Finally, while the tanker program is in full swing, preparations will be ongoing for the yard's long-term future, with opportunities in new markets, including containerships and shuttle tankers, being continually investigated and pursued.

AIM 200 Update

AIM 200 was launched in late 2006 with the goal of continuously improving work processes, "AIM"ing for productivity levels twice as good as they were at that time (200%). Just over a year later, the program is now a strong foundation for continuous improvement.

AIM 200 has made significant progress in all six of the original program areas - communications, welding, planning and scheduling, tools, material logistics, and overhead cost awareness - and has recently added human resources as a seventh focus. Notable accomplishments in 2007, the



first full year of the program, include: Improved welding performance, better stocked tool cribs, improved sorting of materials, welding training, and improved communication of important topics.

Additionally, targeted efforts have been implemented to improve performance in specific areas, such as the introduction of detailed welding books in the dock as well as the current shop focus project.

The welding program in particular is an area which to this

point has shown impressive results: Through training, improved processes and the efforts of our welders, fitters and support personnel, the failure rate on non-destructive test welds has been cut by more than half during 2007.

In 2008, it will take even greater effort in each of the focus areas to continue improvements in the way work is performed. Following the commitment to AIM 200 begun in 2006 will further advance quality and performance, while positioning the shipyard to achieve its operational target of three ships per year.

Did you know...

Five prominent local politicians visited the yard in 2007 and saw firsthand the quality work being done by employees.

They were:

**Congressman
Joe Sestak (D-PA)**

**Congresswoman
Allyson Schwartz (D-PA)**

**Congressman
Pat Murphy (D-PA)**

**Senator
Arlen Specter (R-PA)**

**Governor
Ruth Ann Minner (D-DE)**

APSI Vessels to Enter Shuttle Tanker Market

On October 4, agreements were signed with OSG to build and charter two additional vessels, bringing the total series of tankers to 12.

In addition to the clear sign of confidence shown in the yard by OSG, the two vessels are significant for another important distinction: these will be the first US built vessels to

serve as shuttle tankers, a type of vessel used to transport crude oil from offshore oil wells to onshore refineries. Although shuttle tankers are currently in use in the North Sea and off the coast of Africa, no vessels currently do this in the US market.

The two vessels to be constructed by APSI will be

leased to OSG for charter in the Gulf of Mexico by Petrobras, a Brazilian oil company.

When in service, these vessels will have a bow thruster and controllable pitch propeller to help them maintain position in the open sea, as well as a special bow loading system for accepting oil from offshore rigs.

Safety Update

Working safely is central to everything we do at the shipyard. It is our very first value and our number one operational goal.

The year 2007 saw an even greater emphasis on safety, at every level, than ever before. Rather than something we all *have* to do, safety has become part of our working culture.

Those efforts have shown dividends: to date, the overall injury rate in 2007 is 33% lower than in 2006. Even more importantly, the most serious incidents - measured by the number of injuries resulting in lost work days or restricted duty days - are both down at an even greater rate.

However, even one injury is one too many, and we strive

for a zero-tolerance standard which focuses on the goal that all incidents are preventable.

To that end, in addition to targeted efforts to address specific safety issues, beginning in 2008 a member of the HSE staff will be on duty during second shift, increasing safety oversight to 16 hours a day.

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**Aker
Philadelphia
Shipyards**

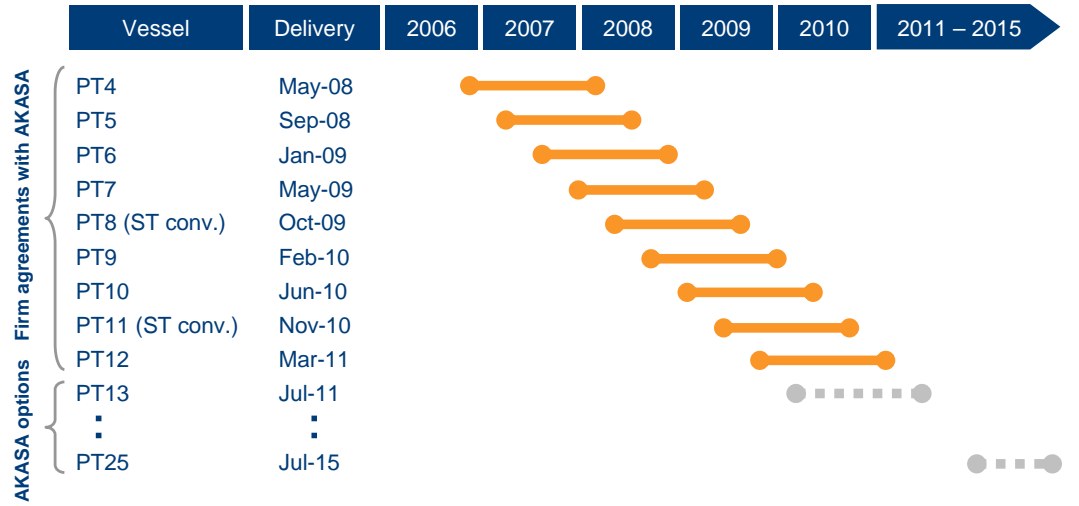
APSI gives back...

October's polo shirt sale raised over \$500 for the Susan G. Komen 'for the Cure' foundation in honor of National Breast Cancer Awareness month.

We're on the web!

www.akerphiladelphia.com

A Solid Order Backlog



- The graphic above illustrates the impressive backlog of vessels on order with the yard.
- The solid orange lines depict firm, signed agreements for product tankers (9 remaining) to be delivered to Aker American shipping, while the gray dashed lines indicate option agreements with that company for up to 13 additional vessels.
- Product tankers 8 and 11 are slated to be converted for shuttle tanker use.



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