

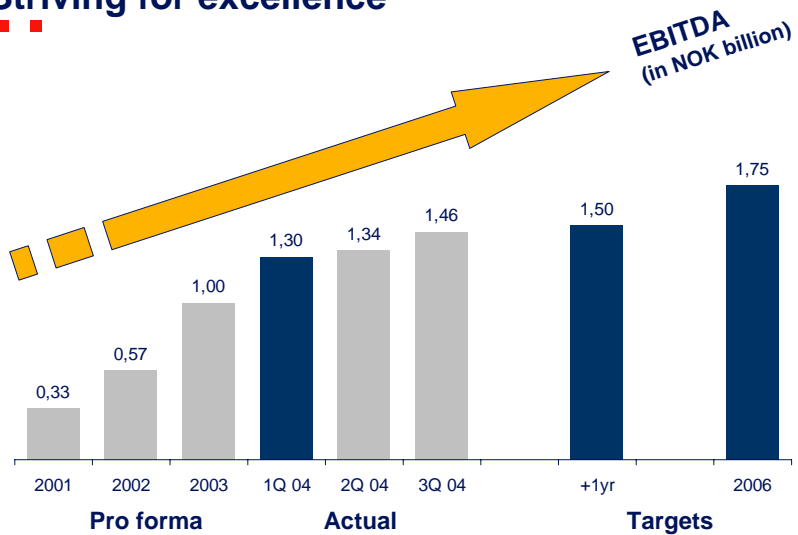
# AKER KVÆRNER™



## Striving for excellence

Finn Berg Jacobsen, Group EVP & Chief of Staff  
Capital Markets Day  
7 December 2004

## Striving for excellence



## The starting point gave us many of the answers



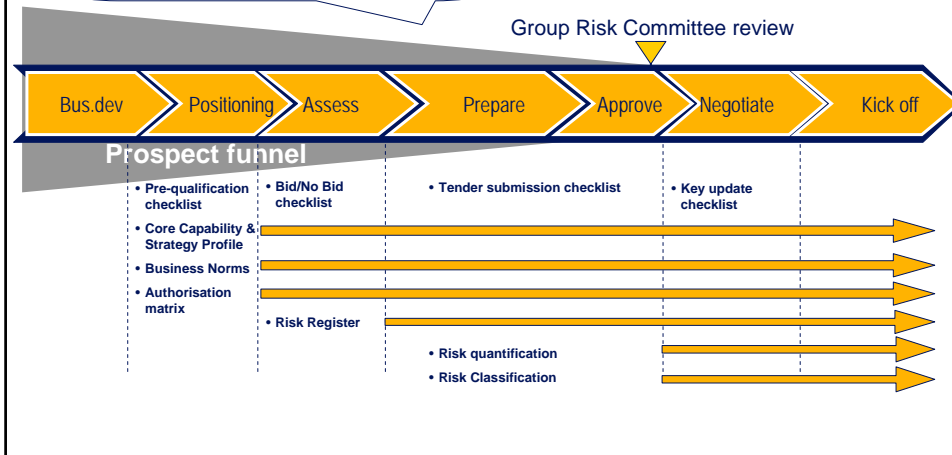
- Excellent technology and know-how
- ...but
- Over 200 operating companies with different cultures, systems and execution models
- High fixed cost base
- Varying approach to risk

## Examples of initiatives

- Screening of prospects and tenders
- Common project execution model (PEM)
- Reductions in overhead costs
- Cost flexibility
- Global sourcing
- Shared services
- Upgrades of IT infrastructure
- Performance based executive pay

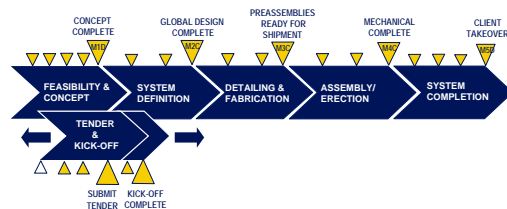
## Screening of prospects and tenders

- Risk dashboard in use for 12 months for all prospects above USD 10 million
- Over 500 active tenders
- Reduced bidding costs and improved hit ratio



## Effects from Project Execution Model (PEM) implementation emerging

### PEM strategic phases and milestones

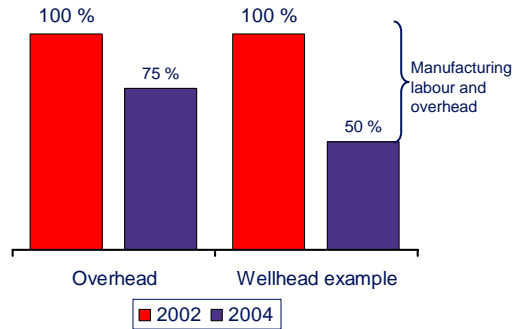


- Project execution model rolled out across the Group
- All new large projects shall follow the PEM methodology
- Effects emerging - examples of realised improvements from completed projects
  - Predictability
  - Interface management
  - Quality
  - Customer satisfaction

Projects move through "toll gates" with having strict requirements w.r.t. quality, schedule, financial performance and risks

## Cost reductions – Subsea example

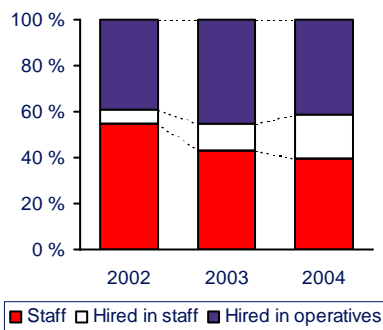
### Examples of cost reductions



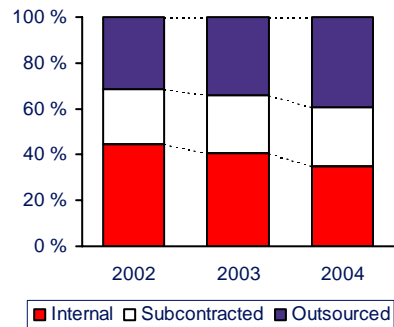
- Global business stream structure implemented
- Two manufacturing plants closed
- Staff reduced with 700 people since 2002
- 60% of subsea system costs outsourced

## Cost flexibility – Significant increase in use of agency/ hired-in personnel

### Macro example: OGPE

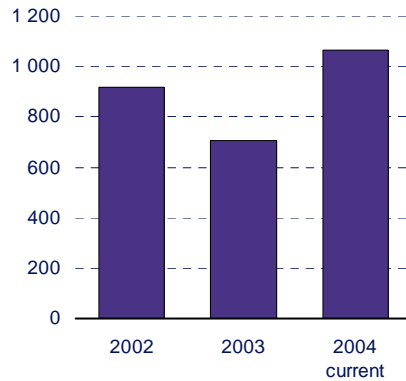


### Micro example: Power engineering

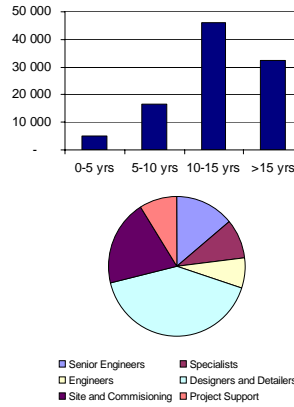


## Cost flexibility – Ellayess important tool for providing skilled flexible labour

Contractors provided by Ellayess (number of people in average)



Pool of skilled people available (background and years of experience)



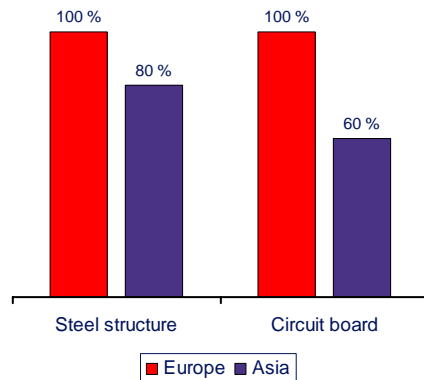
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## Global sourcing – better value sourcing

Sourcing examples (costs in West Europe vs Asia)



- Sourcing hubs in China, India and Eastern Europe
- 20-40% cost savings achievable on sourced items
- Bottom line effects emerging
  - Cost savings required to maintain competitiveness
  - Sourcing skills and systems improving
  - More flexible cost base

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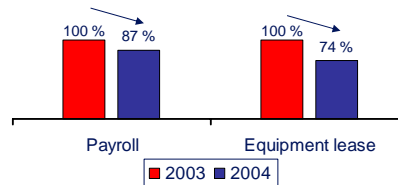
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## Shared service – an important driver of cost reductions and quality improvements

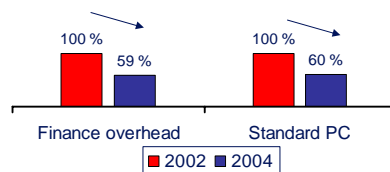
### Shared service progress in 2002-2004

- Regional shared service organisations formed worldwide during last 24 months
  - 1300 employees
  - Focus on transactional services
- Cost and quality effects becoming visible
  - Scale effects
  - Service level agreements

### Examples of cost reductions (Norway)



### Examples of cost reductions (UK)



## IT infrastructure – investments for the future

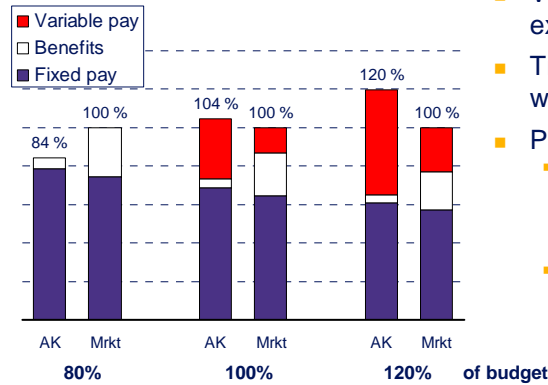
### 2002-2004 IT/IS change projects

- NewIT
  - Working towards common global operating processes
- Change2Harmony
  - Implementation of SAP globally
  - Roll-out in Norway started
- Application Blueprint
  - Group-wide standardisation of management application portfolio
- Group desktop solutions
- Group intranet and internet solutions



## Performance based executive pay

Aker Kvaerner top mgt pay vs market  
(based on performance vs budget)



Note: Benchmark valid for Norway only

- Variable pay for top executives
- Transparent compensation with few fringes
- Performance pay structure
  - Financial drivers:
    - Meeting financial targets
    - Improvements vs last year
    - Working capital
  - Personal objectives
    - Values and leadership approach

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