

GUIDELINES FOR REMUNERATION TO EXECUTIVE MANAGEMENT

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Philly Shipyard ASA has prepared a statement on the determination of salary and other remuneration to the executive management of the Company. The General Meeting's approval of the guidelines is of an advisory nature to the Board of Directors. The Company does not grant remuneration to the executive management in the form of shares, subscription rights, options, and other forms of remuneration linked to shares or the development of the share price in the Company or in other companies within the group, that require preparation of binding guidelines in such respect.

The basis of the remuneration of the President and CEO and members of the Executive Team has been developed in order to create a performance-based system. This system of reward is designed to contribute to the achievement of good financial results and increase shareholder value.

The President and CEO and members of the Executive Team receive a base salary. In addition, a variable pay may be awarded in accordance with a variable pay program which was implemented in 2007. This variable pay program is based on the achievement of financial and personal performance targets and leadership performance in accordance with the Company's values.

The variable pay program for the President and CEO represents a potential for an additional variable pay up to 70% of base salary depending on the achievement of defined short-term and long-term results such as financial targets (profit and working capital) and personal targets (project targets, development of commercial solutions, alignment with values and improvement of HSE).

The variable pay program for other members of the Executive Team represents a potential for an additional variable pay in the range of 20% to 60% of base salary depending on the achievement of the same factors described for the President and CEO.

The President and CEO and Executive Team participate in the standard pension and insurance schemes, applicable to all employees. The Company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the President and CEO and members of the Executive Team.

The Company does not offer share option programs to the Executive Team.