Annual Report

2023

Philly Shipyard

Contents

Company Overview	3
Our History	4
Key Events	6
Investment Highlights	7
Our Values	8
ESG Program	9
Our Safety	13
Letter from the President	14
Board of Directors' Report	17
Directors' Responsibility Statement	27
Consolidated Accounts	29
Parent Company Accounts	58
Auditor's Report	66
Shares and Shareholder Matters	72
Corporate Governance	75
The Board of Directors	80
The Management Team	81
Company Information	85

FINANCIAL CALENDAR 2024

2023 annual report	20 March
Annual general meeting	15 April
Interim report Q1 2024	7 May
Interim report Q2 2024	15 July
Interim report Q3 2024	5 November

Dates are subject to change.

This is Philly Shipyard

Philly Shipyard is a leading U.S. shipbuilder that is presently pursuing a mix of commercial and government work. It possesses a state-of-the-art shipbuilding facility and has earned a reputation as a preferred provider of ocean-going merchant vessels with a track record of delivering quality ships, having delivered around 50% of all large ocean-going Jones Act commercial ships since 2000.

Philly Shipyard ASA is a holding company with headquarters in Oslo, Norway, and an operating subsidiary in Philadelphia, PA, USA.

Philly Shipyard ASA is listed on the Euronext Expand Oslo (formerly known as Oslo Axess) with the ticker symbol "PHLY". Aker Capital AS, a wholly-owned subsidiary of Aker ASA, is the majority shareholder, holding 57.6% of the shares as of 31 December 2023.

ELEMENTS CONTRIBUTING TO SUCCESS:

- State-of-the-art shipyard with modern equipment and 2 of the largest dry docks on the East Coast
- Access to global shipbuilding and design expertise through agreements with partners in North America, Asia, and Europe
- Solid track record demonstrated by the delivery of 31 quality newbuild vessels (6 containerships, 22 product tankers, 2 Aframax tankers, and 1 National Security Multi-Mission Vessel)
- Workforce consisting of direct and contracted employees with a strong HSE mindset and culture of improvement
- Government resumé including 1 new build program, 7 design studies and 3 ship repair projects

THE U.S. JONES ACT MARKET

U.S. coastwise law, commonly referred to as the Jones Act, requires all commercial vessels transporting merchandise between ports in the United States to be built in the United States, owned, operated and manned by U.S. citizens and registered under the U.S. flag. The Jones Act market encompasses all water-borne transportation between U.S. ports, including between the mainland U.S. and non-contiguous areas of Alaska, Hawaii and Puerto Rico, as well as certain vessels involved in offshore wind development.

THE U.S. GOVERNMENT MARKET

The U.S. Government market for ship construction and ship maintenance, repair, overhaul, and conversion (MROC) work is expansive and cuts across multiple government agencies. Government customers include the U.S. Navy, the Military Sealift Command (MSC), the U.S. DOT Maritime Administration (MARAD), the U.S. Coast Guard, the U.S. Army Corps of Engineers and others. Philly Shipyard is well-positioned to build commercial "like" and auxiliary ships in the government market.

Commercial

Commercial "Like"

Auxiliary

Non-Combatants

Combatants

Going Gray: The term – coined because most U.S. Navy hulls are painted gray – means Philly Shipyard is diversifying its offerings by also pursuing work in the government market.

Philly Shipyard:
Our History 1997 - 2023

1997-2002

Founded by public-private partnership between U.S. Government agencies and the Kvaerner Shipbuilding Division

2000: Construction began on first two container vessels

2003 - 2006

Delivered four container vessels to Matson (Hulls 001-004)

2005: Aker American Shipping formed and publicly listed on Oslo Børs

2005: Initiated construction program of 10 product tankers

2007 - 2011

Delivered 12 product tankers to AMSC and OSG (Hulls 005-016)

2007: Two additional product tankers ordered for conversion to shuttle tankers

2007: Aker American Shipping split into ship owning and shipbuilding companies and Aker Philadelphia Shipyard listed on Oslo Axess

2011: Signed contracts with SeaRiver Maritime for two Aframax tankers

2012 - 2013

Delivered two product tankers to Crowley (Hulls 017-018)

2013: Signed contracts with Matson for two CV3600 container vessels

2013: Signed joint venture agreement with Crowley for four product tankers

2014 - 2016

Delivered two Aframax tankers to SeaRiver Maritime (Hulls 019-020), four product tankers to Crowley (Hulls 021-024), and one product tanker to Kinder Morgan (Hull 025)

2014: Established Philly Tankers as pure-play Jones Act shipping company

2014-2015: Signed contracts with Philly Tankers for product tankers

2015: Philly Tankers agreed to sell product tanker contracts to Kinder Morgan

2015: Signed agreement with Marathon Petroleum to sell Crowley joint venture interests

2015: Rebranded as Philly Shipyard

VESSELS BUILT AND REPAIRED BY PHILLY SHIPYARD FROM INCEPTION THROUGH TODAY

6 Container Vessels

22 Product Tankers

2 Aframax Tankers

1 National Security Multi-Mission Vessel

3 Repair Vessels

2017 - 2019

Delivered three product tankers to Kinder Morgan (Hulls 026-028) and two CV3600 container vessels to Matson (Hulls 029-030)

2019: Awarded first two repair & maintenance contracts for the FSS *Antares* and the FSS *Pollux*, large MARAD sister-ships managed by TOTE Services

2019: Awarded prime contract for design studies for the U.S. Navy's Common Hull Auxiliary Multi-Mission Platform (CHAMP) program

2019: Completed ship repair & maintenance work on a U.S. Government vessel, the FSS *Antares*

2020

Awarded a contract by TOTE Services for the construction of up to five National Security Multi-Mission Vessels (NSMVs) for the U.S. Department of Transportation's Maritime Administration (MARAD)

Received an order for the first two NSMVs (1 and 2) with a total contract value of approximately USD 630 million

Completed ship repair & maintenance work on a U.S. Government vessel, the FSS *Pollux*

Awarded contracts to participate in industry studies for the U.S. Coast Guard's Offshore Patrol Cutter (OPC) program and the U.S. Navy's Auxiliary General Ocean Surveillance (T-AGOS(X)) program

2021

Received an order for two additional NSMVs (3 and 4) with a total contract value of approximately USD 600 million

Awarded and completed a repair & maintenance contract for the USNS *Charlton* from Patriot Contract Services on behalf of the U.S. Navy Military Sealift Command

Awarded an industry study contract for the development and design of U.S. Navy Cable Ship T-ARC(X) program

Won a contract from Great Lakes Dredge & Dock Company, LLC to construct one Jones Act-compliant Subsea Rock Installation Vessel

Celebrated the NSMV 1 keel laying and cut steel to mark the start of production for NSMV 2

2022

Received an order for fifth and final NSMV, bringing the total project value to approximately USD 1.5 billion

Won a contract from return customer Matson Navigation Company to build three LNG-powered containerships valued at approximately USD 1.0 billion

Honored with the 2022 Shipbuilders Council of America (SCA) "Excellence in Safety" award and surpassed 2 million consecutive work hours without a lost time incident (LTI)

Celebrated building milestones with NSMV 1 launch, NSMV 2 keel laying, and NSMV 3 start of production

2023

Delivered NSMV 1, the *Empire State*, to MARAD for service at SUNY Maritime College

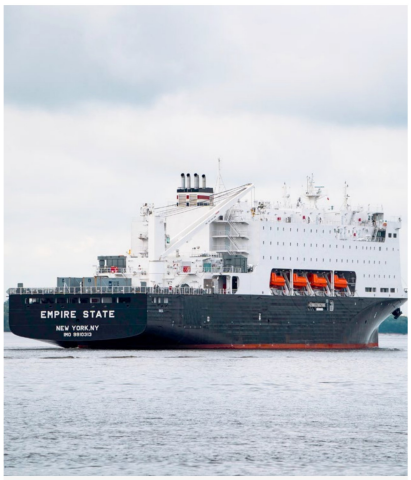
Celebrated building milestones with NSMV 2 launch, NSMV 3 keel laying, and NSMV 4 steel cutting and keel laying

Celebrated the steel cutting for the Subsea Rock Installation Vessel (SRIV)

Awarded an industry study contract to conduct the T-AH(X) Hospital Ship feasibility study

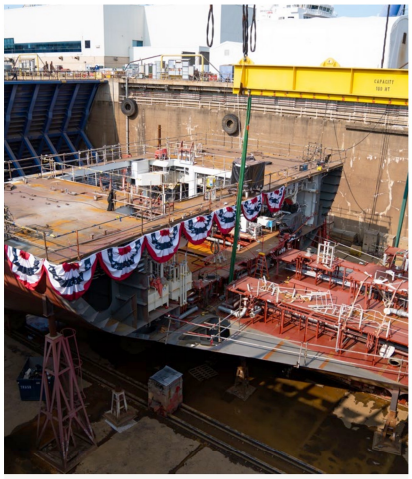
2023 Key Events and Highlights

A new four-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTC), which represents nine unions at the shipyard. The new labor contract will extend until 31 January 2027.



Delivered NSMV 1, the *Empire State*, to MARAD in September, marking the first government ship built using the Vessel Construction Manager (VCM) model.

NSMV 2 was launched in May and successfully moved from the building dock to the outfitting dock.



Celebrated the keel laying of NSMV 3 in May with officials from MARAD, TOTE Services, and Maine Maritime Academy.

Celebrated the steel cutting for NSMV 4 in January and its keel laying in December.

SRIV steel cutting commenced in July, marked by a visit from President Biden.

Investment Highlights

1.
A leading U.S. shipyard

- State-of-the-art facility with more than USD 675 million invested since founding, including new logistics center and cabin factory
- Major builder of large, ocean-going Jones Act commercial ships since 2000
- Strong union-management relationship with integrated, fully flexible subcontracting under single union contract
- Reinvigorated apprenticeship program and modern training facility

2.
Strong backlog and high pipeline visibility

- Over USD 1.7 billion in order backlog with last contractual delivery in 2027
- NSMV program supports a new and innovative approach to federal shipbuilding by leveraging commercial best practices
- Mix of commercial and government projects provides diverse orderbook
- Series production with familiar ships offers operational benefits

3.
Combination of commercial and government work

- Delivered first government newbuild vessel (NSMV 1) in 2023
- Completed six government design studies and currently working on one more
- Opportunities within specialty and high-end segments of the Jones Act market including offshore wind vessels
- Very promising outlook for high activity in the government sector in the next 5-10 years

4.
Well positioned for future growth

- Total workforce of 1,679 personnel including 125 apprentices
- Next available building slots align with promising prospects in both commercial and government markets
- Leader in building government ships utilizing vessel construction manager (VCM) model
- NSMV variant opportunities include hospital ships and auxiliary vessels

PHILLY SHIPYARD RECENT DELIVERIES AND ORDER BACKLOG

Customer	Vessel	Delivery	2023	2024	2025	2026	2027
MARAD/TOTE Services	NSMV 1	8 Sept. 2023	■				
	NSMV 2	1st half 2024		■			
	NSMV 3	2nd half 2024			■		
	NSMV 4	1st half 2025				■	
	NSMV 5	1st half 2026					■
Great Lakes Dredge & Dock Company	SRIV	2nd half 2025			■		
Matson Navigation Company	CV 1	2nd half 2026				■	
	CV 2	1st half 2027					■
	CV 3	2nd half 2027					■

PHILLY SHIPYARD RECENT SHIP REPAIRS

Customer	Vessel	Redelivery	2019	2020	2021
MARAD/TOTE Services	FSS *Antares*	Q4 2019	■		
	FSS *Pollux*	Q3 2020		■	
Military Sealift Command/Patriot Contract Services	USNS *Charlton*	Q3 2021			■

Our CORE Values

Philly Shipyard's CORE values were designed as a reflection of who we are, and who we aspire to be, as a shipyard, as an organization and as individuals.

They capture the pride, passion, and commitment behind each action we take and decision we make. They are not words on a page, but our stand – a united commitment to conquer all challenges and build long lasting relationships. For years to come we will be united by these values, that give us the platform to deliver on our commitments, every time.

CARING
We make safety personal and take ownership for protecting each other

We are united to ensure our coworkers, our company and our communities succeed

ONE SHIPYARD
We are proud to be part of an inclusive work environment where all feel welcome

We build lasting cooperation based on respect and candid communication

RESPONSIBLE
We are environmental stewards and take care to protect future generations

We do what's right simply because it's the right thing to do

EVOLVING
We challenge ourselves and each other to be better than yesterday

We support change that moves the organization into diverse markets

Norwegian Transparency Act

The purpose of the Norwegian Transparency Act is to promote enterprises' respect for fundamental human rights and decent working conditions in their operations and their supply chains.

Philly Shipyard will not tolerate any form of human rights violations in our operations or supply chains, including service providers and suppliers. Our existing Philly Shipyard policies and employment practices include freedom of association and respect for human and labor rights. We forbid forced, coerced, bonded, indentured, involuntary or enslaved labor; child labor; and all forms of human trafficking. We are committed to providing a safe and healthy work environment devoid of discrimination.

In compliance with the requirements of the Act, Philly Shipyard filed the first required statement on the Sustainability page of our website on 30 June 2023. This statement describes the decent working conditions within the Shipyard's operations, our policies and practices, our supplier risk assessment process and findings, and our engagement with our supply chain regarding human rights and modern slavery.

As part of our compliance activities related to the Norwegian Transparency Act, Philly Shipyard has undertaken a number of actions to ensure no form of human rights violation is occurring in or in relation to the Shipyard or its supply chain. We have implemented a risk-based approach for assessing and addressing the Shipyard's supply chain risks, including mapping our supplier base and conducting an annual risk assessment process that reviews our supplier base with regard to country risk and sector risk related to human rights and decent working conditions. In this analysis, we did not identify any actual or potential adverse human rights impacts with our key suppliers, or any red flags requiring further follow-up. We recognize that there may be potential for human rights risks in the supply chains of our suppliers, so we will continue to include human rights risks in our supplier due diligence processes and update this risk analysis on a regular basis.

During 2023, Philly Shipyard established a Supplier Code of Conduct. This code was provided to all suppliers via direct communication and was added to the Supplier page of our website. We also updated our Employee Code of Conduct to include policies related to human rights and decent working conditions.

The Norwegian Transparency Act requires that covered companies respond to requests from the public on how the company is managing actual or potential human rights impacts across its organization and supply chain. Philly Shipyard has established a process for receiving and managing such requests, which should be submitted through communications@phillyshipyard.com.

Sustainability and ESG Program

SUSTAINABILITY/ESG PROGRAM STRATEGY AND HIGHLIGHTS

The Shipyard is committed to operating sustainably and responsibly. Our CORE values describe our commitment to working safely, acting as environmental stewards, creating an inclusive work environment, and ensuring our communities succeed. We are committed to our stakeholders and environment because it is right for the company, right for our people, and right for the planet.

During 2023, we continued to strengthen our sustainability and environmental, social, and governance (ESG) program. Kelly Whitaker was named Vice President, Sustainability and Communications, thereby elevating the leadership of this growing and important area for the Shipyard.

SUSTAINABILITY/ESG STRATEGY

2022			2023		2024	
Launch sustainability/ ESG program	UN SDG mapping	Materiality analysis	Establish baselines	Supplier responsibility program	Set sust/ESG targets	Publish first sust/ESG report

A major area of focus this year was establishing baseline metrics for sustainability and ESG, including calculating our Greenhouse Gas Scope 1 and 2 emissions.

Other highlights during 2023 included: conducting a human rights risk assessment with suppliers, publishing our Norwegian Transparency Act statement, issuing a comprehensive Code of Conduct to all employees, establishing a Supplier Code of Conduct, and holding in-person DEI training for all senior leadership, supervisors, and managers.

Key priorities for Philly Shipyard's sustainability/ESG program in 2024 will include: setting targets for selected sustainability/ESG metrics, publishing a sustainability report, and establishing additional channels for stakeholder engagement. We also continue to prepare for upcoming regulatory requirements for ESG disclosure to investors and other stakeholders in the future, including the European Sustainability Reporting Standards (ESRS).

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)

The United Nations Sustainable Development Goals (UN SDGs) are the blueprint to achieve a better and more sustainable future for all. Philly Shipyard has mapped the UN SDGs to our operations. This approach helps us understand which UN SDGs the Shipyard can most contribute to, as well as where further action may be needed. This mapping process, conducted by an external sustainability consultant and reviewed annually, is based on a review of Shipyard business activities and value chain, as well as non-governmental organization (NGO) and industry association perspectives. The mapping process also is informed by guidance from the American Bureau of Shipping's "Guide for Sustainability Notations."

The Shipyard has identified six of the 17 UN SDGs as most directly relevant to the Shipyard's mission, value chain and stakeholders.

As a significant energy purchaser, Philly Shipyard has the opportunity to support the energy transition to **Affordable and Clean Energy** through electrification of various operations and shipbuilding activities, and to contribute to the demand for renewable energy. In addition, the Shipyard has expanded its capabilities to build vessels with lower air emissions and lower carbon fuels, which are increasingly being specified by ship owners and designers.

Philly Shipyard supports **Decent Work and Economic Growth** by creating high-quality jobs that offer a living wage for our workers, with a strong focus on diversifying our workforce, providing equal pay for equal work, respecting labor rights, and providing extensive training including our apprenticeships.

As a leading U.S. shipyard, we align closely with **Industry, Innovation and Infrastructure**, through our participation in the redevelopment of the Philadelphia Navy Yard and continuously upgrading the capabilities and digital technologies of the Shipyard to meet modern standards.

We are active in recycling materials and packaging to reduce waste and encourage reuse and are working to expand our recycling programs. Our strong commitment to **Responsible Consumption and Production** is part of our CORE values and is evident in our strong track record of environmental compliance.

Shipbuilding is an energy-intensive industrial manufacturing activity, so our energy use and greenhouse gas production is material. We are committed to **Climate Action** by quantifying our climate footprint and identifying ways to reduce it, including through more energy efficient technology and processes.

With operations on the Delaware and Schuylkill Rivers and building vessels that operate in U.S. and international waterways, it is critical that the Shipyard focus on protecting **Life Below Water** and our marine ecosystems every day.

GOVERNANCE OF SUSTAINABILITY/ESG

The Audit Committee of the Board of Directors of Philly Shipyard has oversight of the sustainability/ESG program and reviews it regularly at Board meetings. Kelly Whitaker, Vice President, Sustainability and Communications, has direct leadership responsibility for sustainability/ESG and is a member of the senior leadership team, reporting to the CEO. Senior leaders across the organization are actively engaged in leading sustainability/ESG activities related to their areas of responsibility. The Shipyard's sustainability/ESG program is organized in 12 tracks, each of which has a senior leader assigned as accountable for that track. Track leaders meet regularly with the program leadership team to share updates and mark progress. An external sustainability/ESG consultant provides expertise and program management.

STAKEHOLDER ENGAGEMENT AND MATERIAL TOPICS

The Shipyard recognizes that stakeholders have increasingly high expectations for companies, including those in the marine transportation sector. In 2023, we reconfirmed our 10 stakeholder groups, which include our shareholders, workforce, suppliers and vendors, customers, and the communities in which we operate. Our stakeholders' interests regarding Philly Shipyard continue to vary by stakeholder, with key topics of interest including jobs, workplace environment, safety, quality, compliance, and communication with the public. Our sustainability/ESG program is designed with stakeholder perspectives in mind.

As part of our annual sustainability/ESG program review, we reconfirmed our material topics related to Environmental, Social and Governance. The materiality assessment was conducted using internal and external inputs that included: assessment of macro trends and industry/sector trends; analysis of sustainability material topics of peer companies (shipyards), customers (ship owners), and partners in the value chain; stakeholder interviews and research; resource materials from industry organizations including the International Maritime Organization (IMO) and the American Bureau of Shipping (ABS), among others.

Taken together, the stakeholder analysis, UN SDG mapping, and materiality assessment form the foundation for Philly Shipyard's sustainability/ESG strategy and program.

MATERIAL TOPICS

Environmental

- Energy use and energy efficiency
- Climate and greenhouse gases
- Water impacts
- Air emissions
- Waste reduction and recycling
- Product impact: building sustainable ships as specified by owners

Social

- Employee safety and health
- Workforce recruitment, retention, and development
- Diversity, equity and inclusion
- Labor relations
- Human rights
- External communications
- Community relations and charitable donations

Governance

- Ethics, compliance and governance
- Quality
- Sustainable procurement/ supplier responsibility
- Transparency and disclosure
- Emergency preparedness and resilience
- Risk management
- Financial performance
- Physical asset and infrastructure security
- Data privacy and data security

EMPIRE STAT
NORFOLK ,VA
1

HSE 2023:
Health and Safety in a Post-Pandemic Shipyard

At Philly Shipyard, Inc. (PSI), safety is personal and our credo is clear: We fundamentally believe that all incidents are preventable and safety is everyone's responsibility; and we promise to be relentless in our pursuit of an injury-free workforce by creating and maintaining safe working conditions and never compromising safety for anyone, anywhere, at any time.

And yet, in 2023, PSI experienced its first fatality in the history of the organization. There remains a void in our hearts and our yard, and we will never be the same as we were before that day. We carry on with our unwavering commitment to the above credo. We are still united by our pledge to protect one another, and to be allies, in our pursuit of an injury-free workforce.

Throughout the year, PSI dealt with challenges big and small; however, along with those challenges came many rewards. From increased challenges with subcontractors to addressing increased regulatory requirements, the Health, Safety and Environmental (HSE) department helped guide the organization toward continuous improvement by utilizing industry proven best practices.

In July, the shipyard had five vessels under construction at various stages throughout the yard. This is the highest amount of activity the shipyard has ever had, and in correlation, the highest recorded number of man-hours and a record number of workers. In the post-pandemic era of labor shortages, the workforce mix was made up of more subcontractors and less PSI employees than we have seen in the past.

One of the biggest safety challenges with this type of workforce mix is contractor safety management. To address this challenge, PSI's HSE team worked closely with the contractors providing assistance to ensure all workers have the knowledge and tools necessary to work safe on a daily basis.

To further support the workforce, the HSE Department added a bilingual trainer to our staff to conduct a variety of classes for our non-English speaking employees and subcontractors. This included courses in general shipyard safety, forklift operation, fire watch, mobile elevated work platform operation, and more. The HSE team conducted a record number of trainings in 2023, leading approximately 70 classes.

The Emergency Response Team (ERT) continues to play an important role in the shipyard. In 2023, the total number of ERTs increased to over 30. This is an all-volunteer force with members comprised of production supervisors, material control specialists, outfitters, and apprentices. ERT drills were planned and conducted on a monthly basis to give team members practice on techniques including high angle and confined space tank rescue, fire and medical emergencies and chemical spills.

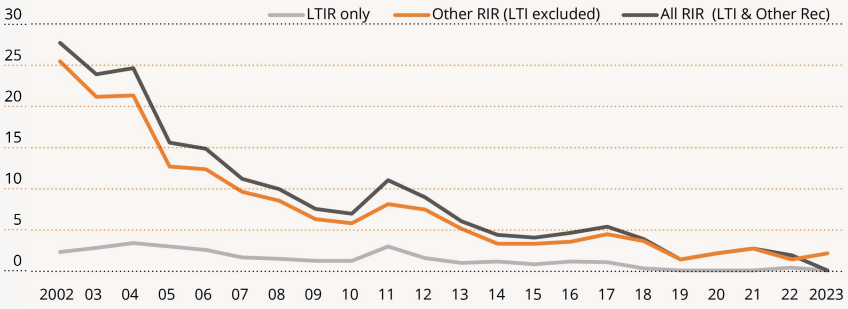
PSI also underwent safety and environmental audits performed by regulatory and insurance agencies. As with any audit, there is always room for improvement, but no significant findings were noted. PSI also witnessed a significant uptick in safety observations in 2023 as more users were added to the reporting system. This is a positive sign as the HSE team uses these leading indicators to prevent incidents at the shipyard.

As the company's formal ESG program developed last year, the HSE department was proud to be track leaders supporting the various environmental material topics, including water impacts, air emissions, and climate and greenhouse gases (GHG). Elevating the "E" in HSE is something we are honored to team up for, and we are looking forward to the journey.

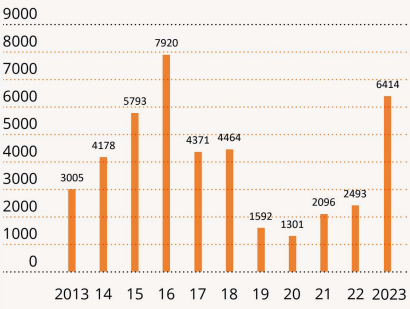
As we move forward in 2024, I look forward to working with management, employees and subcontractors on finding ways to continuously improve worker safety to ensure everyone goes home safely.

Carl W. Danley
Health, Safety and Environment Director

ALL INCIDENT FREQUENCY (2002 - 2023)



OBSERVATIONS (2013 - 2023)



2023: Full Speed Ahead

Dear Shareholders,

Philly Shipyard made shipbuilding history in 2023. We delivered the *Empire State* (NSMV 1) to the U.S. Maritime Administration (MARAD), the first government-owned ship built in Philadelphia in fifty years. Our extraordinary effort ensured timely delivery of an important national security asset despite the unprecedented COVID-19 environment. As of the date of this letter, we have four remaining National Security Multi-Mission Vessels (NSMVs) (siblings to the *Empire State*), plus one Subsea Rock Installation Vessel (SRIV), under construction, and three 3600 TEU Aloha Class LNG-fueled containership vessels (CVs) for Matson Navigation Company in pre-production. We are keeping a sharp focus on completion of the orders in our vessel backlog and are confident that we will continue to attract new opportunities.

There is much to discuss in this year's letter, but before I continue, I have to pause and reflect on a moment of significant loss for the shipyard. In March 2023, the shipyard experienced its first fatality. It was the first fatality ever in the history of our shipyard, and the loss has left a profound impact across the entire organization. No one, and I repeat, no one, should come to work and not return home safely at the end of each workday. HSE needs to be in our hearts and minds, always, and we need to be looking out for each other. We can engineer state-of-the-art safety systems, implement robust policies and procedures, and assemble a highly skilled HSE team, but at the end of the day, safety is everyone's role. As everyone in the shipyard knows, one injury or incident is one too many, and our goal is to eliminate all of them. In 2023, we achieved improvement in terms of lost time incidents, maintaining a lost time incident rate (LTIR) that was significantly lower than the U.S. shipbuilding average, but it's hard to celebrate that knowing one of our colleagues suffered a fatal incident. Nonetheless, a shared safety mindset will allow us to keep driving toward a safer workplace.

Relative to our current backlog, we are actively working on three classes of vessels at the same time. We cut steel for the SRIV, the *Acadia*, for Great Lakes Dredge & Dock Company (GLDD), and most of the major equipment has been ordered. We are engaged in pre-production activities with Matson Navigation Company for three CVs and accomplished a multitude of milestones for the NSMV series. We delivered NSMV 1, for SUNY Maritime College, in September, which was a remarkable accomplishment considering the unprecedented COVID-19 related impacts on our workforce and supply chain. NSMV 2, for Massachusetts Maritime Academy, is in the outfitting dock, with accommodation work proceeding as well as machinery and systems completion, and testing & commissioning. NSMV 3, destined for Maine Maritime Academy, is growing before our eyes and will be ready for launching into the Delaware River in April. NSMV 4, being built for Texas A&M, has begun to take form behind NSMV 3 in the building dock. It is quite remarkable to walk through the yard and see this much activity.

Our 2023 financial performance is very disappointing. We continued to sustain substantial losses on NSMV 1 and the five-ship NSMV series taken as a whole is now a loss-making contract. These losses are mainly due to COVID-19 related impacts on our workforce and supply chain, which have resulted in schedule impacts, productivity loss and increased costs. The unforecasted costs in 2023 mostly consist of increased labor costs, turnkey costs and overhead costs driven by the ongoing lack of skilled workers, resulting in schedule delays and compression. Despite mitigating actions, the lingering effects of the COVID-19 pandemic, including skilled labor shortages and supply chain disruptions, have taken a heavy toll on our bottom line.

Post-delivery of NSMV 1, there is an increased focus on the ongoing implementation of Philly Shipyard's "V-5" continuous improvement program. Since initiating this program, we have received over 300 improvement proposals and are combing through each one of them to uncover opportunities to reduce costs, improve productivity and harness the benefits of series construction on the next four NSMVs in our backlog. In addition, our team is working diligently with external experts to take actions in an attempt to recover COVID-19 related cost impacts. While we continue to explore avenues to obtain cost relief, we recently received four months of schedule relief across the NSMV series on account of excusable delay, which is positive for the shipyard.

Recruiting a "local" workforce post-pandemic remains extremely difficult and we continue to rely more heavily on contract labor than ever before. No one could have foreseen the long-lasting negative effects of COVID-19 on workforce recruitment and retention, as well as the supply chain, which are continuing challenges across the shipbuilding and manufacturing industries in the United States and worldwide. In response, we are working closely with local technical schools and colleges, workforce development agencies, and community organizations all around Philadelphia, and will continue to push hard to identify and recruit both apprentices and skilled labor to the shipyard. It is a long and intentional journey to re-build our own talent, but a worthwhile one, and we are seeing progress. And, yet, despite these headwinds, we delivered NSMV I within one month of the contract date, as adjusted for excusable delay, and our client and greater industry has recognized our extraordinary efforts. Once again, we have shown the country that we build some of the best ships anywhere even in the face of enormous challenges.

At year end, we had nearly 1,700 workers in the shipyard, including 125 apprentices at various stages in our three-year program.

We have enhanced our efforts to expand the apprentice program and see it as the clear way forward to build a long-term, local, safe, and productive workforce in the shipyard. Many previous apprentices have developed beyond welders and shipbuilders into Team Leaders, Supervisors, Planners, Engineers and even Apprentice Training Instructors – coming full circle to serve the next generations of apprentices. We anticipate seeing the first classes graduate this year since we resumed the program in 2021. We have initiated efforts to identify and win grant support for the apprentice program in the future as well as support for strategic infrastructure capex projects.

As mentioned, we have also initiated pre-production activities on the three CVs for Matson Navigation Company. These vessels will be the seventh, eighth and ninth CVs Matson has received from Philly Shipyard, but the first that are LNG-fueled. We will always appreciate that Matson was our first customer, and the fact Matson has returned to us again, and again, is the highest compliment. We are also in the early stages of production on the SRIV and look forward to working closely with GLDD to deliver this unique ship that will serve the U.S. offshore wind industry.

Following the *Empire State* delivery, and our increased outreach efforts, we have seen an increased level of interest from potential U.S. government customers. In 2023, we hosted visitors from the U.S. Navy, U.S. Transportation Command, National Oceanographic and Atmospheric Administration (NOAA) and other government agencies interested in learning more about our capabilities and whether we would be interested in competing for government newbuild contracts. We are building very positive relationships with these agencies, particularly the Naval Sea Systems Command (NAVSEA), which is responsible for all Navy shipbuilding programs, and we are taking concrete steps to put us in the position to compete – and win – contracts to build auxiliary and support vessels. We have been very clear with government agencies that the vessel construction manager (VCM) model has the potential to achieve savings and greater schedule integrity in government programs, and there appears to be growing support for this concept in the U.S. Congress. Based on the increasing frequency of contacts and questions from NAVSEA and other agencies, it is clear that Philly Shipyard is being seen as an essential part of the national defense industrial base, and we are optimistic that we will build more ships for the U.S. government in the years to come. We continue to follow potential solicitations for vessels that would be compatible with our shipyard and processes.

We are also continuing implementation of our environmental, social and governance (ESG) program that we unveiled in our 2022 annual report. During 2023, we formally established governance for the program by naming a Vice President of Sustainability and Communications. We instituted meaningful key performance metrics to track progress in the program, including establishing our first greenhouse gas (GHG) baseline for Scopes 1 and 2. We are now preparing to set targets and publish our initial sustainability report in the coming year which will ultimately be made available to our stakeholders on a regular basis in the future.

Our order book at year-end is a solid $1.7 billion, and the work takes us through 2027, which gives us stability and enables us to execute productivity improvements and cost reductions. We are beginning 2024 as a more resilient shipyard, focused on successful completion of the vessels in our backlog and confident that our performance will attract more orders in the future.

I remain ever grateful for the dedication demonstrated by our workforce, union leaders, suppliers, and stakeholders, and the steadfast support we receive from federal and state representatives. We all know that there will be challenges in the coming year, that is the nature of shipbuilding. What gives me great confidence that those challenges will be met is the strength of this shipyard, our proven record of resilience, and the fiery passion for shipbuilding amongst our entire team that keeps the sun shining on Philly Shipyard.

Yours truly,

Steinar Nerbøvik

Steinar Nerbøvik
President and CEO

Philadelphia, PA
12 March 2024

500 lbs
227 kg

Board of Directors' Report 2023

Philly Shipyard ASA and its operating subsidiary, Philly Shipyard, Inc. (referred to herein as a group as the "Group", the "Company" or "Philly Shipyard") is a leading commercial shipbuilder in the U.S. Jones Act market that is presently pursuing newbuild opportunities in the commercial and government markets. Aker Capital AS, a wholly-owned subsidiary of Aker ASA, is the majority shareholder in Philly Shipyard ASA.

KEY EVENTS AND HIGHLIGHTS

- In February 2023, a new 4-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTC)
- In September 2023, Philly Shipyard successfully delivered the first NSMV, the *Empire State*
- Strong order backlog of USD 1,719.1 million on 31 December 2023 with last contractual delivery in 2027
- 2023 operating revenues and other income of USD 441.8 million compared to USD 393.8 million in 2022
- 2023 net loss of USD 67.9 million compared to 2022 net loss of USD 11.7 million
- Total cash and cash equivalents of USD 79.5 million at 31 December 2023, excluding USD 44.2 million of restricted cash

ACTIVITIES

Philly Shipyard is comprised of the Norwegian holding company, Philly Shipyard ASA (referred to herein as "PHLY"), and its U.S. operating subsidiary, Philly Shipyard, Inc. (referred to herein as "PSI" or the "Shipyard"). PSI is a leading U.S. commercial shipyard that is presently pursuing a mix of commercial and government work. PHLY is located in Oslo, Norway, while PSI is located in Philadelphia, Pennsylvania, USA.

As of 31 December 2023, PSI's workforce consisted of 1,679 people, with a breakdown of 504 direct employees and 1,175 subcontracted personnel.

Philly Shipyard's business strategy for PSI is to build vessels for operation in the U.S. Jones Act and U.S. Government markets while opportunistically performing ship maintenance, repair, overhaul, and conversion (MROC) work to fully utilize the shipyard's capacity. As of 31 December 2023, Philly Shipyard has eight remaining vessels in its order book with an order backlog in excess of USD 1.7 billion and a final contractual delivery in 2027.

Safe, cost efficient and quality construction of new vessels is critical for the success of Philly Shipyard's business model. There are several factors that position Philly Shipyard to capitalize on this market: a state-of-the-art shipyard with modern equipment and two of the largest dry docks on the East Coast; access to global shipbuilding and design expertise with partners in North America, Asia and Europe; a solid track record demonstrated by the delivery of 31 quality vessels (6 containerships, 22 product tankers, 2 Aframax tankers and 1 National Security Multi-Mission Vessel); and a workforce consisting of direct and contracted employees with a strong Health, Safety and Environment (HSE) mindset and culture of improvement.

THE JONES ACT MARKET

The U.S. Jones Act generally restricts the marine transportation of cargo and passengers between points in the United States to vessels built in the United States, registered under the U.S. flag, manned by predominately U.S. crews, and 75% owned and controlled by U.S. citizens. The ability of the Company to win contracts is in part dependent on its unique ability to construct vessels that are eligible for U.S. Jones Act trades, and the Jones Act requirement for construction of the vessels in the United States limits competition for future contracts by excluding foreign shipyards.

THE U.S. GOVERNMENT MARKET

The U.S. Government market for ship construction and ship maintenance, repair, overhaul, and conversion (MROC) work is expansive and cuts across multiple government agencies. Government customers include the U.S. Navy, the Military Sealift Command (MSC), the U.S. Department of Transportation Maritime Administration (MARAD), the U.S. Coast Guard, the U.S. Army Corps of Engineers and others. The U.S. Navy's fiscal year 2024 shipbuilding plan would require annual spending of approximately USD 34-36 billion for the next 30 years. The spending available for auxiliary ship programs, which is Philly Shipyard's main area of focus, continues to be dominated by the huge quantitative impact of the submarine program and the qualitative debates about what the service needs to do 'to reconstitute the sealift capability.'

THE MASTER AGREEMENT, SHIPYARD LEASE AND AUTHORIZATION AGREEMENT WITH PSDC

PSI currently operates its shipyard under a 99-year lease with Philadelphia Shipyard Development Corporation (PSDC), a government-sponsored non-profit corporation. Historically a Master Agreement, a Shipyard Lease and an Authorization Agreement have governed PSI's relationship with PSDC and the various governmental parties that have contributed to the establishment of the Shipyard.

Under the Master Agreement, the governmental parties have provided approximately USD 438 million for the renovation and modernization of the facility and training of the workforce. PSI was required to make certain qualified infrastructure investments totaling USD 135 million, which have been fully satisfied. PSI was also required to match government funding for certain training costs totaling USD 50 million, which has been fulfilled.

Pursuant to the Shipyard Lease, if PSI fails to maintain an average of at least 200 full-time employees at the shipyard for 90 consecutive days, then the lease term (i.e., a 99-year lease with approximately 74 years remaining including options) is automatically converted to month-to-month and PSDC has the right to terminate the lease, subject to the right of PSI to complete work-in-process projects and a one-time, limited cure right which allows PSI to restore the lease to a five-year term under certain circumstances. PSI was in compliance with this lease condition as of 31 December 2023.

Pursuant to the Authorization Agreement, PSDC purchased certain shipyard assets from PSI in 2011 for a purchase price of USD 42.0 million, with funds provided by the Commonwealth of Pennsylvania. PSI is leasing back those same assets from PSDC subject to the terms of the Shipyard Lease and the Authorization Agreement.

STRATEGY

Philly Shipyard will, through its unique partnerships and experience obtained during construction of tankers and containerships, strive to be the most efficient shipyard in the U.S. Jones Act and U.S. Government markets for production of ocean-going vessels. Over the past several years, Philly Shipyard has taken steps to diversify its business beyond the traditional vessels it has built for the commercial market. The National Security Multi-Mission Vessel (NSMV) program for the U.S. Department of Transportation's Maritime Administration (MARAD) is a critical step forward in the shipyard's transformation to serve both commercial and government customers. Going forward, PSI's main focus is to pursue major shipbuilding programs in both markets. PSI will also opportunistically pursue maintenance, repair, overhaul, and conversion (MROC) work for government ships. However, Philly Shipyard does not expect excess capacity in its drydocks or fabrication shops for MROC projects in the foreseeable future. A substantial capital investment would be required in order for the Company to opportunistically pursue future MROC projects before the Matson contract is completed.

Philly Shipyard's research and development activities are primarily related to two areas. The first area is the development of PSI's building methodology and working methods to ensure that PSI takes maximum benefit of the learning curve and produces each grand block and each vessel more efficiently than the previous one. The second area is work related to the development of new vessels. Ordinarily, PSI will attempt to identify and license existing best-in-class designs and cooperate with the owners of such designs to make such modifications as are necessary. However, when existing designs are unavailable or unsuitable, PSI will develop new designs to meet the needs of the markets it serves.

KEY EVENTS 2023

In February 2023, a new four-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTC), which represents the nine unions at the shipyard. This new labor contract will extend until 31 January 2027.

In September 2023, Philly Shipyard successfully delivered the first NSMV, the *Empire State*. Philly Shipyard delivered NSMV 1 within one month of the contract delivery date, as extended for excusable delay.

REVIEW OF THE ANNUAL ACCOUNTS

Philly Shipyard prepares and presents its consolidated accounts according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

PHLY was formed on 16 October 2007 to be the holding company of PSI which operates the shipyard located in Philadelphia, Pennsylvania, USA.

As of 31 December 2023, Philly Shipyard has three separate awards under one shipbuilding contract in place with TOTE Services LLC (TOTE Services) for the NSMV program. NSMVs 1-2 were awarded at contract signing in April 2020, NSMVs 3-4 were awarded upon the exercise of an option in January 2021, and NSMV 5 was awarded upon the exercise of an option in April 2022. Therefore, the three awards under the NSMV contract are treated as three separate performance obligations that are reported as three separate projects for revenue recognition. Each of these projects is being accounted for using the percentage-of-completion method per IFRS 15 *Revenue from Contracts with Customers.* PSI is building four NSMVs (NSMVs 2-5) for TOTE Services, with NSMV 2 scheduled for delivery in 2024, the next two vessels (NSMVs 3-4) scheduled for deliveries in 2024 and 2025, respectively, and the final vessel (NSMV 5) scheduled for delivery in 2026. As of 31 December 2023, the NSMV projects for NSMVs 1-2, NSMVs 3-4 and NSMV 5 are 93.4%, 61.7% and 9.9% complete, respectively.

Philly Shipyard also has a shipbuilding contract in place with Great Lakes Dredge & Dock Company (Great Lakes) for the Subsea Rock Installation Vessel (SRIV) program, which was awarded in November 2021. PSI is building one SRIV for Great Lakes, scheduled for delivery in 2025. As of 31 December 2023, the SRIV project is 19.4% complete.

Philly Shipyard also has a shipbuilding contract in place with Matson Navigation Company, Inc. (Matson) for the container vessel (CV) program, which was awarded in November 2022. PSI is building three CVs (CVs 1-3) for Matson, scheduled for deliveries in 2026 and 2027. As of 31 December 2023, the CVs 1-3 project is 0.8% complete.

Philly Shipyard's accounting policy is to not recognize profit on projects until they are

5.0% complete or such later time when the cost to complete can be measured with reasonable certainty. No profit on NSMV 5, the SRIV or CVs 1-3 has been recognized as of 31 December 2023.

Order backlog

As of 31 December 2023, Philly Shipyard's order backlog was USD 1,719.1 million and represents a contractual shipbuilding obligation to deliver newly built vessels (NSMVs 2-5, the SRIV and CVs 1-3) that have not yet been produced for the Company's customers (TOTE Services, Great Lakes and Matson, respectively). Order backlog consists of future construction contract revenues and is subject to adjustment based on change orders as defined in the construction contracts. Order intake for 2023 of USD 16.9 million at 31 December 2023 represents change orders on NSMVs 1-5, the SRIV and CVs 1-3.

Profit and loss accounts

Operating revenues and other income in 2023 ended at USD 441.8 million compared to operating revenues and other income of USD 393.8 million in 2022. Operating revenues and other income in 2023 were primarily driven by revenues from progress on NSMVs 1-5, the SRIV, CVs 1-3 and a government design study. Operating revenues and other income in 2022 were primarily driven by revenues from progress on NSMVs 1-5, the SRIV, CVs 1-3, two government design studies and the profit in equity-accounted investment for Philly Shipyard's proportionate share of the final distribution from the Philly Tankers escrow account.

In addition to the IFRS financial measures reported above, EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) are considered relevant earnings indicators for the Company as they measure the operational performance of the shipyard. These non-IFRS measures are included as items in the consolidated income statement.

EBITDA was negative USD 63.9 million in 2023, compared to EBITDA of negative USD 18.1 million in 2022. These figures correspond to EBITDA margins of -14.5% and -4.6%, respectively.

Depreciation expense in 2023 and 2022 was USD 7.7 million and USD 6.2 million, respectively.

EBIT was negative USD 71.6 million in 2023 compared to EBIT of negative USD 24.3 million in 2022. Negative EBIT in 2023 was primarily driven by increased costs on the NSMV program and consisted of a gross loss of USD 63.8 million recognized on shipbuilding projects (compared to a gross loss of USD 17.2 million recognized on shipbuilding projects in 2022), and SG&A costs of USD 8.0 million (compared to SG&A costs of USD 8.8 million including USD 1.7 million of under-recovered overhead costs in 2022), partially offset by profit of USD 0.2 million in government design study work (compared to profit of USD 0.2 million in government design study work and profit of USD 1.1 million in equity-accounted investment in 2022).

Net financial items in 2023 and 2022 were income of USD 6.8 million and USD 2.0 million, respectively. Net financial items in both years were primarily driven by interest income from bank deposits partially offset by interest expense and bank fees.

Income tax in 2023 was an expense of USD 3.1 million and in 2022 was a benefit of USD 10.6 million. In 2022, the deferred income tax benefit of USD 13.1 million was primarily driven by temporary differences regarding stranded overhead and the newly enacted research and development (R&D) expense capitalization rules.

In 2023, Philly Shipyard's net loss was USD 67.9 million and its basic and diluted loss per share was negative USD 5.61. The corresponding figures for 2022 were net loss of USD 11.7 million and a basic and diluted loss per share of negative USD 0.97.

Cash flows

The Company's cash flow from operations depends on payment terms for construction and delivery settlement for vessels sold to external customers.

Net cash flow used in operating activities in 2023 and 2022 were USD 50.8 million and USD 105.0 million, respectively. There are significant changes year-to-year caused by the level of completion of vessels and customer and vendor contract payment schedules.

Net cash flow used in investing activities in 2023 and 2022 were USD 6.6 million and USD 12.1 million, respectively. In both 2023 and 2022, investment activities were due to capital improvements and enhancements to support the NSMV and SRIV programs.

Net cash flow used in financing activities in 2023 and 2022 were USD 0.7 million and USD 0.3 million, respectively. In both 2023 and 2022, financing activities were for lease liabilities.

Statement of financial position and liquidity

As of 31 December 2023, Philly Shipyard has cash and cash equivalents (excluding restricted cash) of USD 79.5 million. The corresponding figure for 2022 is USD 137.6 million. The decrease of USD 58.1 million in 2023 (compared to decrease of USD 117.4 million in 2022) was primarily due to spending on goods and services related to the vessel projects underway (net of customer milestone payments), investments in property, plant and equipment and SG&A costs, partially offset by favorable working capital and net financial income items. Philly Shipyard's net working capital (current assets less current liabilities) is negative USD 106.7 million at 31 December 2023 compared to negative USD 64.2 million at 31 December 2022.

As of 31 December 2023, Philly Shipyard has restricted cash of USD 44.2 million, of which USD 34.2 million (long-term) represents the total cash deposited in an escrow account for the bonds required for NSMVs 2-5, and USD 10.0 million (short-term) pertains to reserve accounts required for NSMVs 2-3. The cor-

responding figure for 2022 was USD 55.4 million. The decrease of USD 11.2 million in restricted cash is primarily due to the release of the reserve account required for NSMV 1 (USD 5.0 million) and a portion of the cash collateral for the bonds (USD 8.0 million) following the delivery of NSMV 1, partially offset by interest income earned on restricted cash balances. It is anticipated that the remaining cash collateral for the bonds and the remaining reserve account funds will be released in tranches following the delivery of each subsequent NSMV vessel.

Total assets were USD 294.5 million at 31 December 2023 compared to USD 350.5 million at 31 December 2022, with the decrease in total assets mainly resulting from a decrease in cash and cash equivalents as noted above.

Current assets as of 31 December 2023 of USD 173.9 million consists of prepayments and other receivables, restricted cash (short-term), income tax receivable (short-term) and cash and cash equivalents. The corresponding figure for 31 December 2022 is USD 209.0 million and consists of prepayments and other receivables, restricted cash (short-term), income tax receivable (short-term), vessels-under-construction receivable and cash and cash equivalents. The decrease of USD 35.1 million in current assets is primarily due to decreases in cash and cash equivalents and vessels-under-construction receivable partially offset by increases in prepayments and other receivables and income tax receivable (short-term).

Non-current assets of USD 120.6 million as of 31 December 2023 and USD 141.5 million as of 31 December 2022 consists of property, plant and equipment, right-of-use assets, restricted cash (long-term), deferred tax asset, income tax receivable (long-term), and other non-current assets. The decrease of USD 20.9 million in non-current assets is primarily driven by decreases in restricted cash (long-term) and income tax receivable (long-term).

Current liabilities of USD 280.6 million as of 31 December 2023 and USD 273.2 million as of 31 December 2022 consists of trade payables and accrued liabilities, warranties, customer advances (net), other contract liabilities and lease liability (short-term). The increase of USD 7.4 million in current liabilities is primarily due to an increase in trade payables and accrued liabilities partially offset by a reduction in customer advances (net).

Non-current liabilities of USD 8.0 million as of 31 December 2023 and USD 3.5 million as of 31 December 2022 consists of income tax payable (long-term) and lease liability (long-term). The increase of USD 4.5 million in non-current liabilities is primarily due to an increase in lease liability (long-term).

Total equity at 31 December 2023 amounts to USD 5.9 million and the equity ratio (total equity divided by total assets) was 2%. Corresponding figures for 31 December 2022 are USD 73.8 million and 21%, respectively. The USD 67.9 million decrease in equity is the result of the current year's net loss.

The Board deems that the Company as of 31 December 2023 is financially viable and has a satisfactory financing structure subject to the risks discussed in the Risks section below.

RISKS

Market risks

While Philly Shipyard now has an order backlog for ship newbuilds with contractual delivery dates into 2027, it faces future risks if it is unable to secure new orders and/or financing for major commercial or government shipbuilding programs to follow its existing backlog.

The overall market risk for construction of commercial vessels is related to the Jones Act. Repeal of or significant changes to the Jones Act could, among other things, increase competition from foreign (non-U.S.) shipbuilders with lower costs or require increased use of higher priced domestic content, and as a result reduce the demand for U.S.-built vessels. In order to address this risk, the Company has continuous engagement with local, state and federal government officials.

Philly Shipyard is also exposed to market risk related to imbalance between supply and demand for vessels in the Jones Act and U.S. Government markets, which may result in a reduction of vessel prices and/or a delay in new projects. PSI faces risks related to the contracts for its vessels, including the risk that those contracts are cancelled and the underlying vessels are ultimately sold to third parties for less favorable terms.

Philly Shipyard's revenue is derived primarily from contracts awarded on a project-by-project basis. It is difficult to predict whether or when Philly Shipyard will be awarded a new contract due to, among other things, changes in existing or forecast market or political conditions, uncertainty regarding the timing and amount of budget appropriations, the complex bidding and selection processes, potential for contract award protests and challenges, and governmental regulations. Because Philly Shipyard's revenue is derived from contract awards, the Company's revenues, results of operations and cash flows can fluctuate materially from period to period.

Operational risks

Philly Shipyard faces risks related to construction of vessels. Philly Shipyard's ability to meet budgets and schedules may be adversely affected by many factors, including changes in productivity, shortages of materials, equipment and labor, and changes in the cost of goods and services, both Philly Shipyard's own and those charged by its suppliers. Philly Shipyard's operations also depend on stable supplier networks and the availability of key vendors for design and procurement services. Philly Shipyard has entered into fixed-price subcontracts for a significant portion of its scope of work on its active shipbuilding programs, including the design and major equipment for the NSMV and SRIV programs and the design and certain long lead items for the CV program.

As is common in the shipbuilding industry, Philly Shipyard's projects are typically performed on a fixed-price basis. Under fixed-

price contracts, Philly Shipyard receives the price fixed in the contract, subject to adjustment only for change-orders. In many cases, these vessels involve complex design and engineering, significant procurement of equipment and supplies and extensive construction management. Management uses its best efforts to accurately estimate the costs to complete Philly Shipyard's project awards; however, Philly Shipyard's actual costs incurred to complete these projects could exceed its estimates. The NSMV, SRIV and CV vessel contracts are fixed-price contracts.

Philly Shipyard's productivity and profitability depends substantially on its ability to attract and retain skilled workers at forecasted rates. COVID driven labor shortages have adversely impacted, and are expected to continue to adversely impact, the Company's ability to attract and retain skilled workers at forecasted rates. Due to COVID driven labor shortages, the Shipyard has experienced schedule impacts, productivity loss and increased costs.

There is a higher technical design risk and a higher project execution risk for prototype vessels, such as the NSMV and SRIV, compared to the construction of vessels based on a proven design, such as the product tankers and container vessels previously built by Philly Shipyard. These risks increase the current construction cost estimation uncertainty and the likelihood of occurrence of contract contingencies. Following the delivery of NSMV 1, these risks have been reduced for the remaining vessels in the NSMV series.

Failure to meet Philly Shipyard's performance obligations to deliver vessels on time and within the contract specifications can potentially lead to penalties and ultimately contract termination. The NSMV, SRIV and CV vessel contracts include liquidated damage clauses for late delivery exclusive of excusable delays. The CV vessel contract includes performance guarantee clauses similar to those included in the vessel contracts for the prior series of Aloha Class container vessels.

U.S. Government projects generally are subject to suspension, termination or a reduction in scope at the option of the customer, although the customer is typically required to pay for work performed and materials purchased through the date of termination. The NSMV contract has a termination for convenience clause at the option of the U.S. Government.

The Company faces challenges related to the construction of new classes of vessels, as well as managing multiple projects at the same time. These challenges sometimes tend to impact quality, timely delivery and cost efficiencies. In order to reduce these risks, the Shipyard enters into contracts with design and procurement partners.

The Shipyard depends on unionized labor for construction of vessels. Work stoppages or other labor disturbances could have a material adverse effect on the Company's business, results of operations and financial condition. In order to mitigate this risk, the Shipyard has negotiated a four-year collective bargaining agreement with the Unions which has been ratified and is effective through January 2027. The collective bargaining agreement includes a no-strike clause.

PSI's success also depends to a great degree on the abilities of its key management personnel, particularly its executives and other key employees who have significant experience within PSI's industry. The loss of the services of one or more of these individuals could adversely affect PSI.

PSI's ability to perform under its contracts depends to some degree on the performance of third parties under subcontracts. PSI depends upon subcontractors for a variety of reasons, including: to perform work as a result of scheduling demands or capacity constraints that PSI would otherwise perform with its employees; to supervise and/or perform certain aspects of the contract more efficiently considering the conditions of the contract; and to perform certain types of skilled work. PSI works closely with these subcontractors to monitor progress and address its customer requirements. PSI generally has the ability to pursue back charges for costs it incurs or liabilities it assumes as a result of a subcontractor's lack of performance. However, the inability of PSI's subcontractors to perform under the terms of their contracts could cause PSI to incur additional costs that reduce profitability or create losses on projects.

The Shipyard further depends upon a 99-year lease agreement for the shipyard facility and the future operations of the yard will accordingly be dependent upon PSI fulfilling its obligations under this lease agreement. Failure to maintain certain employment levels may result in early termination of this lease. For more details regarding this lease, please see "The Master Agreement, Shipyard Lease and Authorization Agreement with PSDC" on pages 17-18.

The Shipyard's operations are subject to the usual hazards inherent in shipbuilding, such as the risk of equipment failure and work accidents. Despite the Shipyard's best efforts to eliminate these hazards, they can sometimes cause personal injury, business interruption, construction delays, property and equipment damage, pollution and environmental damage. PSI continues to implement its Health, Safety and Environment (HSE) management system and provide training to its workforce to mitigate these risks. The Shipyard's policy of covering these risks through contractual limitations of liability and indemnities and through insurance may not always be effective, and customers and subcontractors may not have adequate financial resources to meet their indemnity obligations to PSI.

PSI relies heavily on computer information and communications technology and related systems in order to properly operate its business. From time to time, PSI experiences system interruptions and delays. In the event PSI is unable to regularly deploy software and hardware, effectively upgrade its systems and

network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of data, and the cost associated with responding to such events and restoring compliance could be significant.

The Company faces risk of significant financial, business and intelligence loss if there are cyber security breaches. Philly Shipyard has invested significant resources to provide a more secure computing environment over the last several years, resulting in improved security and business resiliency. Philly Shipyard maintains a continued high awareness of its risk profile regarding cyber security because new threats can emerge quickly. PSI was not aware of any cyber attacks or security breaches in 2023.

The Shipyard's operations are subject to numerous international, national, state and local environmental, health and safety laws, regulations, treaties and conventions, including, inter alia, those controlling the permitted and unpermitted discharge of materials into the environment, requiring removal and clean-up of environmental contamination, establishing certification, licensing, health and safety, labor and training standards or otherwise relating to the protection of human health and the environment. Sanctions for failure to comply with these requirements, which may be applied retroactively, may include: administrative, civil and criminal liabilities, revocation of permits to conduct business and corrective action orders, including orders to investigate and clean up contamination.

In addition, the Shipyard could be affected by future laws or regulations, including those imposed in response to concerns over climate change, other aspects of the environment, or natural resources. For example, because carbon dioxide, methane and certain other greenhouse gases produce climate changes that have significant impacts on public health and the environment, various governmental authorities have considered and are continuing to consider the adoption of regulatory strategies and controls designed to reduce the emission of greenhouse gases resulting from regulated activities, which if adopted in areas where the Shipyard conducts business, could require PSI or its customers to incur additional compliance costs, result in delays, or adversely affect demand for PSI's services.

Philly Shipyard is located on a tidal riverfront and is exposed to climate risks related to extreme weather and coastal hazards. These risks can include storms, flooding, high tides, wave erosion, air quality, and extreme temperature highs and lows, which could affect shipyard operations directly or indirectly through infrastructure impacts (roads, utilities) or supply chain disruption. Philly Shipyard's property is not considered at high risk of rising sea levels due to its distance from the ocean and the elevated level of the Shipyard's infrastructure compared to nearby riverfront areas. Contingency plans are developed for each project to mitigate risks of disruptions, project delays and financial and reputational impact. To ensure the safety of its people and operations in the event of climate-related disruptions, such as extreme weather, the Company as a best practice will shut down operations and safely store materials.

Financial risks

Philly Shipyard's activities expose it to a variety of financial risks: market risk (including commodity pricing risk, currency risk and price risk), credit risk and cash flow interest rate risk. Philly Shipyard's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Philly Shipyard's financial performance. Philly Shipyard uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies and protocols approved by the Board of Directors. The Board of Directors provides principles for overall financial risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments and non-derivative financial instruments.

Philly Shipyard is dependent upon having access to construction financing facilities and other loans and debt facilities to the extent its own cash flow from operations and milestone payments from customers are insufficient to fund its operations and capital expenditures. In turn, Philly Shipyard must secure and maintain sufficient equity capital to support debt facilities. As Philly Shipyard has no current debt facilities, delays in achieving milestones could result in the need for external interim financing. Additionally, Philly Shipyard may be required to obtain bonding capacity in case there is need for payment or performance bonds, or to furnish letters of credit, refund guarantees or other forms of security, to support major commercial or government shipbuilding programs. Philly Shipyard may not be able to obtain sufficient debt facilities or bonding capacity or furnish sufficient security if and when needed with favorable terms, if at all. As of 31 December 2023, Philly Shipyard has furnished all bonds and security that are required to support its active shipbuilding programs.

The Company is exposed to changes in prices of materials and duties, tariffs and other taxes imposed on goods imported from foreign (non-U.S.) countries. Philly Shipyard attempts to mitigate its exposure with respect to steel cost escalation and increased taxes on imported goods by passing these risks on to its end customers. The NSMV, SRIV and CV vessel contracts include price adjustment clauses for steel as defined in the respective contracts.

The Company is subject to exchange rate risk for purchases made in currencies other than the U.S. dollar. In order to mitigate exposure to this risk, Philly Shipyard will look to pass this risk on to its end customers or suppliers or secure foreign exchange forward contracts for its known requirements for foreign currency. The subcontracts for the detailed design and major equipment for the NSMV and SRIV programs and the design and cer-

tain long lead items for the CV program are payable in U.S. dollars. The SRIV contract includes an exchange rate adjustment clause for goods and services purchased in certain foreign currencies.

Philly Shipyard regularly monitors the financial health of its construction financing lenders (if any) as well as the financial health of the financial institutions, which it uses for cash management services and in which it makes deposits and other investments.

Through construction financing (if any), the Company is exposed to fluctuations in interest rates. Philly Shipyard currently has no construction financing facility.

The credit risk of ship owners is evaluated upon contract signing. Typically, ship owners have financing approvals in place before they enter into contracts with PSI. During the construction period, Philly Shipyard continually evaluates the credit risk associated with ship owners and, except in cases where PSI arranges construction financing, manages this risk by requiring payment for substantially the entire contractual amount prior to delivering a vessel, including milestone payments upon completion of specified milestones. At the completion of a vessel, transfer of ownership takes place upon settlement. Should a ship owner fail to pay, PSI may attempt to dispose of the vessel in the open market to recover its construction costs.

PSI accrues an estimate for future warranty claims on its delivered vessels. This estimate is examined during the warranty period and adjusted as necessary. In order to mitigate the risk of warranty claims exceeding warranty provisions, PSI has secured back-to-back warranties for most major components on the vessels.

Other risks

The lingering effects of the COVID-19 pandemic (including skilled labor shortages and supply chain disruptions) continue to impact the Company's shipbuilding projects. Ongoing global military conflicts increase the risk of rising commodity prices, material shortages and transportation delays that could adversely impact Philly Shipyard's business. Although improved from prior years, Philly Shipyard continues to see uncertainty in the global macroeconomic environment as well as continuing inflation, high interest rates and market volatility.

SUBSEQUENT EVENTS AFTER 31 DECEMBER 2023

There are no events after 31 December 2023 that require disclosure.

THE GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the normal course of business.

PARENT COMPANY ACCOUNTS AND ALLOCATION OF LOSS FOR THE YEAR

The income/(loss) account of Philly Shipyard ASA for the year 2023 shows a loss of USD 1.8 million. The Board of Directors proposes that the loss for the year be allocated as shown below:

Dividend payment	USD 0
Other equity	USD (1.8) million
Total allocated	USD (1.8) million

Philly Shipyard's goal is that its shareholders will, over time, receive competitive returns on their investments through a combination of dividends and share price growth. The PHLY Board does not foresee payment of shareholder distributions, including dividends and share buybacks, until the Company has returned to sustained profitability.

The parent company's only significant asset is the investment in subsidiary, PSI.

ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG)

Philly Shipyard is committed to operating sustainably and responsibly. During 2023, PSI continued to strengthen its sustainability and environmental, social, and governance (ESG) program. Kelly Whitaker was named Vice President, Sustainability and Communications, thereby elevating the leadership of this important area for the Shipyard. Ms. Whitaker reports to the CEO and is a member of the senior leadership team. As an enhancement to the Company's governance framework, the Audit Committee of the Board of Directors established oversight of the sustainability/ESG program and reviews it regularly at meetings.

Philly Shipyard's sustainability/ESG strategy continues to be focused on those material topics that were identified through its stakeholder analysis and materiality assessment, which are reviewed annually. A major area of focus this year was establishing baseline metrics for sustainability and ESG, including calculating the shipyard's Greenhouse Gas Scope 1 and 2 emissions. Other highlights during 2023 included: conducting a human rights risk assessment with suppliers, publishing the Company's Norwegian Transparency Act statement, issuing a comprehensive Code of Conduct to all employees, establishing a Supplier Code of Conduct, and holding in-person Diversity, Equity and Inclusion (DEI) training for all senior leadership, supervisors, and managers.

Key priorities for Philly Shipyard's sustainability/ESG program in 2024 will include: setting targets for selected sustainability/ESG metrics, publishing a sustainability report, and establishing additional channels for stakeholder engagement. PSI also continues to prepare for upcoming regulatory requirements for ESG disclosure to investors and other stakeholders in the future, including the European Sustainability Reporting Standards (ESRS).

As Philly Shipyard collaborates with ship owners and designers, the Company embraces the opportunity to build ships that meet evolving needs for sustainable designs and green ship technology. The Shipyard uses the latest International Maritime Organization requirements as guidance for environmental pro-

tection and efficiency during the design and production process. In its role as a supplier to ship designers and owners, Philly Shipyard has expanded its capabilities and know-how in technologies that reduce ship emissions through cleaner-running engines, alternative fuels such as LNG, battery storage and more.

In alignment with the clean energy transition underway in the maritime sector, Philly Shipyard is currently contracted to build LNG-powered containerships as well as a Subsea Rock Installation Vessel that will support the installation of offshore wind farms.

Environmental reporting is an integral part of the Shipyard's reporting system, on par with reporting on financial matters and operations. This commitment extends to evaluating and adopting environmentally beneficial improvements in production processes, alternative materials and services. PSI promotes open communication on environmental issues with employees, neighbors, public authorities, and other interested parties and has implemented a system through which employees can make observations and suggestions about the Shipyard's environmental performance.

The industrial nature of the Shipyard's activities requires the use of significant amounts of energy, both electrical and gas, as well as the generation of waste and release of particulate and volatile organic compound (VOC) emissions.

Philly Shipyard recognizes that climate change has and will continue to have significant impacts on the environment and society, which has prompted regulations limiting the emission of greenhouse gases (GHG) and driving the transition towards a low-carbon economy. Action is expected from all companies, and Philly Shipyard is committed to doing its part. The maritime industry, like other sectors in the global economy, is working to reduce greenhouse gas emissions and transform away from fossil fuels and transition toward a low-carbon economy.

During 2023, Philly Shipyard determined its GHG footprint including Scope 1 and 2 emissions: 5,011 and 8,609 MT CO2 equivalents, respectively. The Company plans to continue disclosing its Scope 1 and 2 emissions annually and intends to develop a set of sustainability targets including a target related to GHG Scope 1 and 2 in the coming year.

The Company also initiated a program to improve energy efficiency and reduce emissions. Philly Shipyard began exploring opportunities to electrify its operations, including evaluation of battery-powered fork trucks and utility vehicles. A substantial portion of the lighting at the Shipyard has been switched to LED, to further improve energy efficiency.

Aligned with the shift toward a circular economy, PSI uses modern waste management practices to ensure as much material as possible is diverted from landfills and sent for recycling. During 2023, the Shipyard recycled 100% of its wood and metal waste and up to 80% of its industrial debris. In 2023, PSI recycled approximately 1,769 tons of wood scrap and 1,729 tons of steel.

A program has been launched to detect and reduce leaks from equipment in the Shipyard and to convert to ozone-friendly refrigerants. For the reporting period ending in 2023, VOC emissions to air were approximately 17.8 tons. PSI generated approximately 61 tons of hazardous waste. There were no reportable discharges into the surrounding waterways.

Philly Shipyard has a comprehensive set of policies to address environmental, social and governance concerns, and to comply with or exceed all federal, state, and local requirements. During 2023, Philly Shipyard updated its Employee Handbook and delivered a comprehensive Code of Conduct to all employees. Training on the Code of Conduct was provided to all employees. Every employee is responsible for reading and familiarizing themselves with the Code of Conduct and living by its standards.

The Shipyard is committed to maintaining a work environment that is free of discrimination, harassment and hostilities. In keeping with this commitment, PSI maintains a strict Harassment Free Environment Policy and does not tolerate unlawful harassment of employees by anyone.

Philly Shipyard is committed to providing equal employment opportunity to all employees and applicants for employment, regardless of race, color, ethnic background, gender, religion, age, marital status, sexual orientation, national origin, citizenship status, disability, veteran status, or any other legally protected status. Diversity strengthens the Shipyard's overall capacity and skills.

During 2023, in-person Diversity, Equity and Inclusion (DEI) training was held with all senior leadership, supervisors and managers attending. Additional DEI initiatives and activities are planned for 2024.

The maritime industry has traditionally been male-dominated. The entire industry faces the challenge of increasing the proportion of female employees. PSI has taken some affirmative steps to address this challenge. For example, the Shipyard encourages female applicants and has seen increased interest among potential female employees to pursue a career with PSI. To further this goal, PSI participates in available government programs that encourage women in manufacturing and has recruited at schools and training programs with more women.

At 31 December 2023, approximately 10% of PSI's employees were women. There is one woman on PSI's senior management team and two female members on PHLY's Board of Directors. In addition, women hold key positions such as Controller, Director of Project Estimating and Cost Control, Accounts Payable Supervisor, Payroll Benefits Supervisor, Purchasing Manager, Training Manager, Production Supervisor, Talent Acquisition Supervisor and HSE Manager.

At 31 December 2023, approximately 37% of PSI's employees were minorities. There has been a 15% increase in minority hires from 2022 to

2023. Philly Shipyard has put focus on recruiting from areas with a diverse population by hosting career events at Pennsylvania CareerLink locations, presenting about its Apprentice program to local high school students, and participating in Corners to Connections events.

Philly Shipyard is strongly committed to workforce development and provides extensive training in support of upskilling and developing its employees' capabilities, as well as ensuring a safe work environment. During 2023, the Shipyard offered a variety of training courses including Supervisor Leadership, DEI and Belonging, Code of Conduct, over 60 safety classes, union annual refresher training, and up to two full days of new hire orientation. Employees receive annual performance reviews, which are used as opportunities to discuss training requests and general growth and development.

Approximately 49% of PSI's employees are members of the Philadelphia Metal Trades Council (PMTC) union and are covered under the collective bargaining agreement between the PMTC and the Shipyard. This agreement is effective until 31 January 2027. Under this collective bargaining agreement, union employees are granted vacation and personal time, and most union employees receive shutdown pay during the week of the Fourth of July holiday and in between the Christmas and New Year's holidays. In addition, union employees may take up to 6 unpaid days within a 12-month period. Traditional sick days are not part of the collective bargaining agreement and, therefore, union employees do not accrue sick time. Non-union employees accrue sick time on a monthly basis and may maintain a balance of up to 200 hours. During 2023, 230 non-union employees used 8,513 hours of total sick time (8,245 hours of sick time and 268 hours of COVID-19 time), representing 1.76% of total non-union work hours.

At the Shipyard, health, safety and the environment (HSE) are not just a priority, but a mindset embedded in all decisions and actions. The Union-Management Safety and Environmental Board reviews the various HSE programs, and makes recommendations on policies and procedures. The HSE system includes safety training of employees and subcontractors, safety inspections, industrial health and wellness programs, drug testing, emergency response and environmental programs. PSI is implementing new initiatives to continuously improve its HSE mindset during 2024.

In March 2023, a production worker tragically suffered a fall-related fatality at the shipyard. This is the first fatality in PSI's history. PSI maintains a culture of continuous improvement and will continue to work proactively to establish an injury-free workforce.

PSI also had 3 lost time injuries (LTI) and 48 recordable injuries reported in 2023. The incidents came from a total of 3,540,213 hours worked by PSI employees and subcontractors in 2023. The Other Recordable Incident Frequency Rate (ORIFR) was 2.49 in 2023. ORIFR is based on recordable incidents other than LTIs per 200,000 hours as defined by the Occupational Safety and Health Administration (OSHA). PSI continues to work proactively to further improve safety, with a goal of eliminating incidents.

Philly Shipyard believes all people share the same fundamental human rights. The Company follows legal and responsible sourcing practices and expects its suppliers to uphold the same standards. In 2023, the Company added human rights and modern slavery to its policies, including the Employee Code of Conduct and Supplier Code of Conduct. Philly Shipyard conducted a human rights due diligence process to assess modern slavery risks related to the Company's supplier base, and issued its first Norwegian Transparency Act Statement summarizing this process, findings and action plan. No potential human rights impacts were found.

PSI is committed to responsible procurement and expects its suppliers to operate with integrity and ethical behavior, as well as a commitment to safety, environmental responsibility, sustainability, and respect for people. During 2023, Philly Shipyard established a Supplier Code of Conduct that outlines the specific requirements and expectations for suppliers. This Supplier Code of Conduct was communicated to all suppliers along with PSI's expectation that they be familiar with it and align their activities with it.

The Company has zero tolerance for corruption and has adopted an Anti-Corruption Policy that is in line with the anti-corruption policies at other Aker ASA-related companies. The Company also maintains a strict Conflict of Interest policy, which is reflected in the Employee Code of Conduct and PSI's non-union employee handbook, as well as its Terms and Conditions to outside suppliers.

In support of the above initiatives and policies, the Shipyard maintains a formal policy for the disclosure of wrongful conduct and protection from retaliation. This whistleblower policy is available to all employees and is administered by the Vice President of Human Resources. The Company has implemented a process that allows anonymous reports of violations through a third-party administrator. In 2023, there were seven cases reported using this process.

As part of its commitment to be a good neighbor, PSI continues to support a number of organizations that make its communities stronger. In 2023, Philly Shipyard supported the Seamen's Church Institute of Philadelphia, which provides materials and services to international seafarers who serve as crews on international ships entering Philadelphia's port. Philly Shipyard also continued its multi-year donations to a local non-profit organization that delivers community-based human services to residents of a nearby Philadelphia neighborhood. In support of the fight against childhood cancer, Philly Shipyard donated to the Andrew McDonough B+ Foundation, the largest provider of financial assistance to families of kids with cancer in the U.S.

In 2024, Philly Shipyard will be launching a Community Giving Program and a Volunteer

Recognition Program to strengthen the connection between the Philly Shipyard team and its local communities.

ORGANIZATION

On 31 December 2023, Philly Shipyard's workforce consisted of 504 direct employees and 1,175 subcontracted personnel. The Shipyard experiences higher turnover amongst its union and production subcontractor employees compared to other employees. Philly Shipyard continues to increase the size and breadth of its apprenticeship program as more cohorts are added to this program, with the most recent cohort starting in January 2024. As of 31 December 2023, 125 apprentices are active in this program.

CORPORATE GOVERNANCE

Philly Shipyard's corporate governance policy exists to ensure an appropriate division of roles among the Company's owners, Board of Directors and Management Team. Such a separation of roles ensures that goals and strategies are prepared, that adopted corporate strategies are implemented, and that the results achieved are subject to verification and follow-up. Applying these principles also contributes to satisfactory group-wide monitoring and verification of activities. An appropriate division of responsibilities and satisfactory controls will contribute to the greatest possible value creation over time, to the benefit of shareholders and other interest groups. Philly Shipyard's corporate governance guidelines are presented in greater detail on pages 75-79 of this annual report.

The directors and officers of Philly Shipyard are covered under an Aker group Directors and Officers liability insurance policy (D&O). The insurance covers personal legal liabilities including defense and legal costs. The officers and directors of the parent company and all subsidiaries globally (owned more than 50%) are covered by the insurance. The cover also includes employees in managerial positions or employees who become named in a claim or investigation.

OUTLOOK

At 31 December 2023, Philly Shipyard continues to maintain a strong order backlog of USD 1,719.1 million. Philly Shipyard has eight vessels, consisting of four NSMVs, one SRIV and three CVs, in its order book. Philly Shipyard's current order book provides pipeline visibility and stability into 2027.

Philly Shipyard delivered NSMV 1 within one month of the contract delivery date, as extended for excusable delay. This nearly on-time delivery is a rare feat for a government shipbuilding program, and is especially remarkable for a first-in-class vessel that was built largely in the midst of a public health emergency.

Following the delivery of NSMV 1, there is an increased focus on the ongoing implementation of Philly Shipyard's continuous improvement program. The lessons learned and experience gained from construction of NSMV 1 is expected to result in improved performance on subsequent vessels in the NSMV series.

Philly Shipyard continues to pursue prospects in the government and commercial newbuild markets and is presently targeting shipbuilding programs with building slots following the third CV. In the government sector, Philly Shipyard remains focused on opportunities for commercial-like and auxiliary ships. In the commercial sector, Philly Shipyard is exploring a variety of potential new construction projects for U.S.-built vessels. Philly Shipyard continues to promote variants based on existing ship designs as potential cost-effective solutions for both government and commercial customers.

Additionally, Philly Shipyard continues to seek opportunities to replicate the NSMV contract model for other government shipbuilding programs. This innovative approach enables Philly Shipyard to apply commercial best practices for design and construction to government vessels. There is growing interest in the U.S. Congress in the NSMV contract model and its potential applicability to government shipbuilding programs, such as the sealift recapitalization, to reduce costs, accelerate delivery times, and build more vessels.

Philly Shipyard continues to forecast the five-ship NSMV series to be a loss-making contract. As of 31 December 2023, Philly Shipyard has recognized more loss on the NSMV contract to date than it anticipates to recognize when the five-ship contract is completed. Therefore, in accordance with IFRS, no loss provision has been recorded to date for an onerous contract.

As previously reported, the forecast has and continues to be impacted by increased costs of labor, turnkey suppliers and overhead driven by schedule delays and compression. While, as previously noted, Philly Shipyard has obtained four months of schedule relief for the NSMVs, Philly Shipyard continues to pursue all options available to obtain cost relief for COVID-19 related impacts. The current forecast excludes any potential recoveries as well as claims for back charges against certain underperforming subcontractors and suppliers.

Oslo, Norway - 12 March 2024

Board of Directors Philly Shipyard ASA

Kristian Røkke	Jan Petter Hagen	Elin Karfjell	Susan Hayman	Steinar Nerbøvik
Board Chairman	*Board Member*	*Board Member*	*Board Member*	*President and CEO*

Directors' Responsibility Statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements for Philly Shipyard ASA, as of and for the year ending 31 December 2023 (annual report 2023).

The Philly Shipyard ASA consolidated financial statements have been prepared in accordance with IFRS, as adopted by the European Union, and additional disclosure requirements in the Norwegian Accounting Act, and that should be used as of 31 December 2023. The separate financial statements for Philly Shipyard ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards as of 31 December 2023. The Board of Directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no. 16, as of 31 December 2023.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2023 have been prepared in accordance with applicable accounting standards
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and income/(loss) as a whole as of 31 December 2023 for the group and the parent company
- The Board of Directors' report for the group and the parent company includes a true and fair review of:
  - The development and performance of the business and the position of the group and the parent company
  - The principal risks and uncertainties the group and the parent company face

Oslo, Norway - 12 March 2024

Board of Directors Philly Shipyard ASA

Kristian Røkke	Jan Petter Hagen	Elin Karfjell	Susan Hayman	Steinar Nerbøvik
Board Chairman	*Board Member*	*Board Member*	*Board Member*	*President and CEO*

Consolidated Income Statement

Amounts in USD thousands (except share amounts and earnings per share)	Note	2023	2022
Operating revenues	2	441 845	392 706
Other income	2	-	1 112
Operating revenues and other income		**441 845**	**393 818**
Costs of vessel construction	2	(497 732)	(403 113)
Wages and other personnel expenses (SG&A)	3	(3 461)	(3 162)
Other operating expenses	4	(4 542)	(5 659)
Operating loss before depreciation (EBITDA)		**(63 890)**	**(18 116)**
Depreciation	7	(7 720)	(6 190)
Operating loss before interest and taxes (EBIT)		**(71 610)**	**(24 306)**
Financial income	5	7 170	2 557
Financial expense	5	(416)	(570)
Loss before tax		**(64 856)**	**(22 319)**
Income tax (expense)/benefit	6	(3 081)	10 628
Loss after tax		**(67 937)**	**(11 691)**
Weighted average number of ordinary shares in issue	11	12 107 901	12 107 901
Basic loss per share (USD)	11	(5.61)	(0.97)
Diluted loss per share (USD)	11	(5.61)	(0.97)

Consolidated Statement of Comprehensive Income

Amounts in USD thousands	2023	2022
Loss after tax for the year	(67 937)	(11 691)
Other comprehensive income, net of income tax	-	-
Total comprehensive loss for the year *	**(67 937)**	**(11 691)**

* All attributable to equity holders of the parent company.

Consolidated Statement of Financial Position

as of 31 December

Amounts in USD thousands	Note	2023	2022
ASSETS			
Property, plant and equipment	7	42 653	42 136
Right-of-use assets	7	17 835	13 500
Restricted cash long-term	10	34 158	45 420
Deferred tax asset	6	25 333	26 208
Income tax receivable long-term	6	82	13 700
Other non-current assets		552	548
Total non-current assets		**120 613**	**141 512**
Prepayments and other receivables	8	68 389	52 357
Restricted cash short-term	10	10 022	10 011
Income tax receivable short-term	6	15 978	4 107
Vessels-under-construction receivable	2	-	4 925
Cash and cash equivalents	9	79 463	137 586
Total current assets		**173 852**	**208 986**
TOTAL ASSETS		294 465	350 498
EQUITY AND LIABILITIES			
Paid in capital	12	35 206	35 206
Other equity		(29 371)	38 566
Total equity attributable to equity holders of the parent company		**5 835**	**73 772**
Total equity		**5 835**	**73 772**
Income tax payable long-term	6	1 200	1 200
Lease liability long-term	13	6 788	2 354
Total non-current liabilities		**7 988**	**3 554**
Trade payables and accrued liabilities	16	65 037	41 730
Other provisions - warranties	15	2 131	250
Customer advances (net)	2	212 196	230 558
Other contract liabilities	2	221	348
Lease liability short-term	13	1 057	286
Total current liabilities		**280 642**	**273 172**
Total liabilities		**288 630**	**276 726**
TOTAL EQUITY AND LIABILITIES		294 465	350 498

Oslo, Norway - 12 March 2024 - **Board of Directors Philly Shipyard ASA**

Kristian Røkke	Jan Petter Hagen	Elin Karfjell	Susan Hayman	Steinar Nerbøvik
Board Chairman	*Board Member*	*Board Member*	*Board Member*	*President and CEO*

Consolidated Statement of Changes in Equity

Amounts in USD thousands	Share capital	Share premium	Treasury shares	Other equity	Total equity
Balance at 31 December 2021	22 664	22 511	(9 969)	50 257	85 463
Total comprehensive loss for the year 2022	-	-	-	(11 691)	(11 691)
Balance at 31 December 2022	22 664	22 511	(9 969)	38 566	73 772
Total comprehensive loss for the year 2023	-	-	-	(67 937)	(67 937)
Balance at 31 December 2023	**22 664**	**22 511**	**(9 969)**	**(29 371)**	**5 835**

Consolidated Cash Flow Statement

Amounts in USD thousands	Note	2023	2022
Loss before tax		(64 856)	(22 319)
Depreciation	7	7 720	6 190
Right-of-use assets reassessment		7	144
Net financial income	5	(6 734)	(1 951)
(Increase)/decrease in:			
Vessels-under-construction receivable	2	4 925	(4 925)
Contract assets	2	-	345
Restricted cash	10	11 251	(10 939)
Prepayments materials deposits	8	(8 435)	6 404
Prepayments other and other receivables	8	(7 597)	2 362
Other non-current assets		(4)	(53)
Increase/(decrease) in:			
Trade payables and accrued liabilities	15,16	25 188	(9 872)
Customer advances (net)	2	(18 362)	(65 840)
Other contract liabilities	2	(127)	348
Income taxes paid	6	(459)	(6 799)
Interest paid	5	(416)	(570)
Interest received	5	7 150	2 521
Net cash flow used in operating activities		**(50 749)**	**(104 954)**
Investment in property, plant & equipment	7	(6 635)	(12 094)
Net cash flow used in investing activities		**(6 635)**	**(12 094)**
Repayment of lease liability	13	(1 068)	(452)
Interest expense on lease liability	13	329	83
Net cash flow used in financing activities		**(739)**	**(369)**
Net change in cash and cash equivalents		(58 123)	(117 417)
Cash and cash equivalents as of 1 January		137 586	255 003
Cash and cash equivalents as of 31 December	9	**79 463**	**137 586**

Notes to the Consolidated Accounts

NOTE 1: ACCOUNTING PRINCIPLES

STATEMENT OF COMPLIANCE

The consolidated financial statements of Philly Shipyard ASA and its subsidiaries (referred to herein as a group as Philly Shipyard, the Group or the Company) have been prepared in accordance with IFRS Accounting Standards as adopted by the EU in effect at each financial reporting period.

These accounts have been approved for issue by the Board of Directors on 12 March 2024. The annual accounts will be submitted to Philly Shipyard's annual general meeting on 15 April 2024 for final approval.

BACKGROUND AND BASIS FOR PREPARATION

Philly Shipyard ASA (referred to herein as PHLY) was formed on 16 October 2007 to be the holding company of Philly Shipyard, Inc. (referred to herein as PSI or the Shipyard) which operates a shipyard located in Philadelphia, Pennsylvania, USA. PSI owned certain dormant subsidiaries in connection with its former investments in shipping assets, which were liquidated in 2023.

PHLY is domiciled in Oslo, Norway. PSI is domiciled in the Commonwealth of Pennsylvania, USA. The subsidiaries of PSI were domiciled in the State of Delaware, USA. These consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in USD (thousands), except when indicated otherwise.

ESTIMATES, ASSUMPTIONS AND SIGNIFICANT JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts in the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

In addition, the preparation of consolidated financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Estimates, underlying assumptions and significant judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting estimates, assumptions and significant judgments are as follows:

Revenue Recognition

Philly Shipyard recognizes revenue over time in accordance with IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). This approach requires Philly Shipyard to measure the progress of contract activity at each statement of financial position date and estimate the ultimate outcome of costs and profit on contracts. Progress towards satisfying performance obligations is measured based on project costs incurred compared to the total forecasted project costs. In case of a loss-making project, a loss provision will be made when total contract cost will exceed total contract revenue (onerous contract). Revenue and cost estimates from shipbuilding activities depend, amongst others, on variables such as steel prices, supplier and subcontractor costs, labor costs and availability, and other production inputs. Philly Shipyard must also evaluate and estimate the outcome of variation orders, liquidated damages, contract claims and requests from customers to modify contractual terms which can involve complex negotiations with customers. Generally, estimates are subject to a greater level of uncertainty when a vessel design is new to the Shipyard than if a vessel is being constructed later in a series (see note 2 for further discussion).

Philly Shipyard has three separate awards under one shipbuilding contract in place for the NSMV program. NSMVs 1-2 were awarded at contract signing in April 2020; NSMVs 3-4 were awarded upon the exercise of an option in January 2021, and NSMV 5 was awarded upon the exercise of an option in April 2022. Therefore, the three awards are treated as three separate performance obligations that are reported as three separate projects for revenue recognition. Each of these projects is being accounted for using the percentage-of-completion method per IFRS 15. The principle of a series of distinct goods has been applied where NSMVs 1-2, NSMVs 3-4 and NSMV 5 are each treated separate of one another.

Cost Forecast of Shipbuilding Contracts

The cost forecast of shipbuilding contracts can be judgmental and sensitive to changes. The cost estimates can significantly impact revenue recognition for contracts using cost progress, particularly in lump sum construction contracts. Forecasting the total contract cost depends on the ability to properly execute the engineering and design phase, availability of skilled resources, manufacturing capacity, productivity and quality factors, steel prices and performance of subcontractors. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that cost estimates may change significantly.

Tax Uncertainty

Tax positions subject to uncertainty are identified and assessed either individually or in groups based on an estimate of the probability that the tax authorities will accept or reject a certain treatment. Where it is assessed that it is not probable the tax authorities will accept an uncertain tax treatment, the effect of the

uncertainty is reflected in the calculation of the taxable profit, tax bases, unused tax losses or credits, or tax rates. The effect of the uncertainty is calculated by applying the most appropriate method (most likely amount or expected value). Changes in circumstances are assessed and reflected at each reporting date.

Deferred Income Taxes

Deferred income tax assets are recognized when it is probable that they will be realized. Determining probability requires Philly Shipyard to estimate the sources of future taxable income from operations, including reversing taxable temporary differences. Determining these amounts is subject to uncertainty and is based primarily upon historical earnings, reversals of taxable temporary differences and expected earnings due to contracts in progress and contract order backlog. The recognition of deferred tax assets is primarily applicable to U.S. taxes where Philly Shipyard has a net deferred tax asset position (see note 6 for further discussion).

R&D Tax Credit

Since 2015, PSI has qualified for the research and development (R&D) tax credit for both federal and Pennsylvania state tax purposes. The Shipyard qualified for the credit because of the research it undertook to discover information that is technological in nature and intended to be useful in the development of a new or improved business component. The Company recognizes the R&D tax credit estimate as part of the income tax benefit based on a calculation of qualifying research expenses using available guidance and the applicable rules and regulations.

The Going Concern Assumption

The 2022 and 2023 consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the normal course of business due to the firm order backlog which takes operations into 2027.

Climate Risk - Consideration of Climate Change

Climate-related risk could include both transition impacts, for example additional costs incurred by the Company as a result of transitioning to a low-carbon economy, the need for different types of vessel construction, or physical impacts such as damage to assets as a result of storms or flooding.

In preparing these financial statements the Board of Directors has considered the potential impact of climate change and has concluded that there is no material impact from climate change on financial reporting judgements and estimates. The Board of Directors considered the impact of climate change with regards to contract judgments, carrying value and useful life of PP&E and right-of-use assets and going concern. The working capital of the Company as per 31 December 2023 would be realized by 2027 indicating very little risk of being impacted by climate changes. The remaining useful lives of PP&E and right-of-use assets are not likely to be affected by climate changes due to the number of remaining useful lives being between 5 to 10 years. Therefore, the Company is of the opinion that there is no immediate or medium-term impact expected.

While there is no immediate or medium-term impact expected from climate change, the Board of Directors is aware of the ever changing risks attached to climate change and will regularly assess these risks against judgments and estimates used in preparing the financial statements.

Other Risks

The lingering effects of the COVID-19 pandemic (including skilled labor shortages and supply chain disruptions) continue to impact the Company's shipbuilding projects. Ongoing global military conflicts increase the risk of rising commodity prices, material shortages and transportation delays that could adversely impact Philly Shipyard's business. Although improved from prior years, Philly Shipyard continues to see uncertainty in the global macroeconomic environment as well as continuing inflation, high interest rates and market volatility.

PHILLY SHIPYARD ACCOUNTING AND CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the financial statements of the parent company, Philly Shipyard ASA, and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

Functional Currency

The consolidated financial statements are presented in United States dollars (USD), rounded to the nearest thousand, which is the reporting currency for the consolidated accounts and the functional currencies for all the entities within Philly Shipyard.

INCOME STATEMENT PRESENTATION

Operating related expenses in the consolidated income statement are presented as a combination of function and nature in conformity with industry practice. Depreciation is presented on a separate line based on its nature, while cost of vessel construction, wages and other personnel expenses (SG&A), non-payroll expenses (SG&A), and under-recovered overhead costs are presented on a functional basis. Significant expenses such as salaries, pensions, etc. are presented by their nature in the notes to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

General

Property, plant and equipment and right-of-use assets acquired by the Shipyard are stated at cost at the date of acquisition. Depreciation is calculated on a straight-line basis and adjusted for impairment charges, if any. The carrying values of the property, plant and equipment and right-of-use assets on the consolidated statement of financial position represent the cost net of government grants and subsidies received (if applicable) less accumulated depreciation and any impairment charges. Cost includes expenditures that are directly attributable to the asset. The cost of self-constructed assets includes the costs of material and direct labor, and any other costs directly attributable to bringing the asset to working condition for its intended use.

IMPAIRMENT OF LONG-LIVED ASSETS

Property, plant and equipment, right-of-use assets and other non-current assets are reviewed for potential impairment whenever events or changes in circumstances indicate

that the carrying amount of an asset may not be recoverable.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years.

FAIR VALUE OF ITS CASH GENERATING UNIT

Philly Shipyard has concluded that it has only one primary cash generating unit and must determine the recoverable amount of its cash generating unit in order to perform impairment tests of its long-lived assets when impairment indicators are present. The Company reviewed certain indicators and determined that there were no indicators of impairment. As such the Company has not performed an impairment test (see note 7 for further discussion).

REVENUE FROM CONTRACTS WITH CUSTOMERS

Philly Shipyard principally generates revenues from activities relating to long-term shipbuilding construction contracts, and also generated revenue from the performance of industry studies for the U.S. Navy and U.S. Coast Guard. A detailed review of customer contracts occurred for contracts which were open from 1 January 2023 to 31 December 2023 (see note 2 for further discussion).

Construction Contracts

The vessel construction contracts were assessed according to IFRS 15 to evaluate whether the revenue from such contracts shall be recognized over time or at a point in time. As a result of the assessment, the Company concluded that the principle of revenue recognition over time method was appropriate for these contracts based on the fact that the vessels under construction do not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment from the customer for the work completed to date.

Performance Obligations

Philly Shipyard has three separate awards under one shipbuilding contract in place for the NSMV program (NSMVs 1-2, NSMVs 3-4 and NSMV 5), one separate shipbuilding contract in place for the SRIV program (SRIV) and one separate shipbuilding contract in place for the CV program (CVs 1-3). Per IFRS 15, the NSMV projects are being treated as three separate performance obligations that are reported as three separate projects for revenue recognition. Each of these projects is being accounted for using the percentage-of-completion method based on project costs incurred compared to the total project costs. This is considered to be a faithful depiction of the transfer of goods as it accurately reflects the underlying transactions and progress.

Philly Shipyard's accounting policy is to not recognize profits on projects until they are 5% complete or such later time when the cost to complete can be measured with reasonable certainty.

Constraint of Variable Consideration

Variable considerations are included in estimated contract revenue to the extent that it is highly probable that a significant reversal of revenue in a subsequent period will not occur when the uncertainties are resolved.

Onerous Contracts

Onerous revenue contracts are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. A provision is recognized when the unavoidable shipbuilding costs of meeting the obligations under a contract exceed the economic benefits to be received. As of 31 December 2023, Philly Shipyard has recognized more loss on the NSMV contract to date than it anticipates to recognize when the five-ship contract is completed. Therefore, in accordance with IFRS, no loss liability has been recorded to date for an onerous contract.

Project revenue is classified as operating revenues in the consolidated income statement. Vessels-under-construction are presented net of advances from customers as vessels-under-construction receivable or customer advances (net) on a contract by contract basis.

Other operating revenues such as design studies are classified as contract assets and/or other contract liabilities and are classified as current or non-current based on the expected timing of recognition of revenue.

GOVERNMENT GRANTS AND SUPPORT

Government grants and support are recognized at their fair value where there is reasonable assurance that amounts will be received and conditions have been met. In some cases, recognition occurs over a period of time as restrictions lapse or as conditions are met. Grants and support related to capital expenditures or construction of assets for the Shipyard's account are recognized as a reduction of the related asset cost. For assets held for use, this results in a lower depreciation charge over the useful life of the asset. Grants related to specific programs or projects are recognized as reductions in expense over the period in which work that relates to the grant or support is performed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

INCOME TAXES

Current Income Taxes

Income taxes receivable and payable for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws as used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred Income Taxes

Deferred income taxes are recognized using the asset/liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except upon initial recognition of an asset or a liability that does not impact income.

Deferred income tax assets are recognized for all deductible temporary differences, and carry-forward of unused tax losses and credits, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and

credits can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The expected utilization of tax losses is not discounted when calculating the deferred tax asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

PENSION OBLIGATIONS

The Shipyard has a pension plan that covers its non-union employees whereby contributions are paid to a qualifying pension plan.

The Shipyard's union employees are participants in a multi-employer union selected pension plan (Union Plan). Although the Union Plan is a defined benefit pension plan, because the union does not provide information on the Shipyard's employees and their share of the pension assets and obligations, the Union Plan is accounted for in accordance with the requirements of a defined contribution plan under IAS 19 *Employee Benefits* revised. Under defined contribution pension plans, contributions are charged to the consolidated income statement in the period to which the contributions relate.

PROVISIONS

A warranty provision is recognized when Philly Shipyard has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Warranty provisions are reviewed at each statement of financial position date and adjusted to reflect the current estimate.

LEASES AND RIGHT-OF-USE ASSETS

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for short-term leases (defined as twelve months or less) and low-value assets, for which the Group recognizes the lease payments as other operating expenses in the consolidated income statement when they are incurred.

The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date, by using the Group's incremental borrowing rate. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option. The lease payments included in the measurement comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in the consolidated income statement when they are incurred.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate. The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

The Group measures the right-of-use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability recognized, any lease payments made at or before the commencement date, less any incentives received, and any initial direct costs incurred by the Group.

The Group applies the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As part of the 2011 Authorization Agreement, PSI's landlord, Philadelphia Shipyard Development Corporation (PSDC), purchased certain shipyard assets from PSI for a purchase price of USD 42.0 million with funds provided by the Commonwealth of Pennsylvania. PSI leases back those same assets from PSDC subject to the terms of its Shipyard Lease and the Authorization Agreement. For accounting purposes, the transaction was accounted for as a sale/leaseback, and no adjustments were made to the accounting value of the assets at closing.

The net book value of assets under leasing agreements recorded in the consolidated statement of financial position at 31 December 2023 amounts to USD 17.8 million. Included in this are the assets PSDC purchased from PSI in 2011, which at 31 December 2023 the net book value amounts to USD 9.5 million.

RELATED PARTY TRANSACTIONS

The Company's policy is that all transactions, agreements and business activities with related parties are conducted on an arm's length basis according to ordinary business terms and conditions.

SEGMENT INFORMATION

Philly Shipyard currently has one business segment which is building vessels for both the U.S. Jones Act market and the U.S. Government.

BASIC AND DILUTED INCOME/(LOSS) PER SHARE

The calculation of basic income/(loss) per share is based on the income or loss attributable to ordinary shareholders using the weighted average number of shares outstanding during the year (not including the treasury shares). The calculation of diluted income/(loss) per share is consistent with the calculation of basic income/(loss) per share while giving effect to all potential dilutive ordinary shares that were outstanding during the period. Philly Shipyard currently has no potentially dilutive shares outstanding.

SUBSEQUENT EVENTS AFTER 31 DECEMBER 2023

A distinction is made between events both favorable and unfavorable that provide evidence of conditions that existed at the statement of financial position date (adjusting events) and those that are indicative of conditions that arose after the statement of financial position date (non-adjusting events). Financial statements will only be adjusted to reflect adjusting events and not non-adjusting events (although there are disclosure requirements for such events).

NEW STANDARDS AND INTERPRETATIONS ADOPTED

Except for the OECD Pillar Two amendments, there were no changes to the financial reporting requirements this year. The Company has not identified any significant exposure to Pillar Two income taxes that require disclosure in these financial statements.

While the IASB has made a few amendments to standards that apply from 1 January 2023, these are largely clarifications and none of them required a change in Philly Shipyard ASA's accounting policies.

There has not been any recent IFRS Interpretation Committee (IC) agenda decisions that have required changes to any of the Group's accounting policies for 2023.

EARLY ADOPTION OF STANDARDS

Philly Shipyard ASA generally only adopts standards early if they clarify existing practice, but do not introduce substantive changes. The Company has not early adopted new or amended standards in preparing these consolidated financial statements as of 31 December 2023. None of the new standards not yet effective are expected to have a material impact on the financial statements.

NOTE 2: CONSTRUCTION CONTRACTS

Order backlog of USD 1,719.1 million at 31 December 2023 represents a contractual shipbuilding obligation to deliver newly built vessels (NSMVs 2-5, the SRIV and CVs 1-3) that have not yet been produced for the Company's customers (TOTE Services, Great Lakes and Matson, respectively). Order backlog consists of future construction contract revenues and is subject to adjustment based on change orders as defined in the construction contracts. Order intake of USD 16.9 million at 31 December 2023 represents combined change orders on NSMVs 1-5, the SRIV and CVs 1-3.

Order backlog and order intake on long-term construction contracts are as follows:

Amounts in USD thousands	Order backlog 31 Dec 2023	Order intake 2023	Order backlog 31 Dec 2022	Order intake 2022
Total	1 719 054	16 893	2 143 763	1 332 094

Amounts in USD thousands	Accumulated recognized revenue 31 Dec. 2023	Remaining performance obligation 31 Dec. 2023	Revenue recognition principle	Estimated year of completion
NSMVs 1-2	601 119	42 295	Over time	2024
NSMVs 3-4	376 309	233 659	Over time	2025
NSMV 5	29 083	280 251	Over time	2026
SRIV	37 692	168 273	Over time	2025
CVs 1-3	7 374	994 576	Over time	2027
Total	1 051 577	1 719 054		

As of 31 December 2023, Philly Shipyard has three separate awards under one shipbuilding contract in place for the NSMV program. NSMVs 1-2 were awarded at contract signing in April 2020; NSMVs 3-4 were awarded upon the exercise of an option in January 2021, and NSMV 5 was awarded upon the exercise of an option in April 2022. Therefore, the three awards under the NSMV contract are treated as three separate performance obligations that are reported as three separate projects for revenue recognition. Each of these projects is being accounted for using the percentage-of-completion method per IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). PSI is building four NSMVs (NSMVs 2-5) for TOTE Services, with NSMV 2 scheduled for delivery in 2024, the next two vessels (NSMVs 3-4) scheduled for deliveries in 2024 and 2025, respectively, and the final vessel (NSMV 5) scheduled for delivery in 2026. No profit was recognized in 2023 on any of the three performance obligations noted above. As of 31 December 2023, the NSMV projects for NSMVs 1-2, NSMVs 3-4 and NSMV 5 are 93.4%, 61.7% and 9.9% complete, respectively.

Philly Shipyard continues to forecast the five-ship NSMV series to be a loss-making contract. As of 31 December 2023, Philly Shipyard has recognized more loss on the NSMV contract to date than it anticipates to recognize when the five-ship contract is completed. Therefore, in accordance with IFRS, no loss liability has been recorded to date for an onerous contract.

Philly Shipyard also has a shipbuilding contract in place for the Subsea Rock Installation Vessel (SRIV) program, which was awarded in November 2021. PSI is building one SRIV for Great Lakes, scheduled for delivery in 2025. As of 31 December 2023, the SRIV project is 19.4% complete.

Philly Shipyard also has a shipbuilding contract in place for the container vessel (CV) program, which was awarded in November 2022. PSI is building three CVs (CVs 1-3) for Matson, scheduled for deliveries in 2026 and 2027. As of 31 December 2023, the CVs 1-3 project is 0.8% complete.

Progress towards completing the NSMV, SRIV and CV contract performance obligations are measured based on project costs incurred compared to the total forecasted project costs. Construction contract revenue recognized in 2023 includes revenue for NSMVs 1-2, NSMVs 3-4, NSMV 5, the SRIV and CVs 1-3 since the contract for these vessels was accounted for using the principle-over-time revenue recognition method according to IFRS 15.

Philly Shipyard's accounting policy is to not recognize profit on projects until they are 5.0% complete or such later time when the cost to complete can be measured with reasonable certainty. No profit on NSMV 5, the SRIV or CVs 1-3 has been recognized as of 31 December 2023.

Operating revenues and other income are detailed below:

Amounts in USD thousands	2023	2022
Shipbuilding	441 603	391 575
Government design studies	242	1 131
Total operating revenue	**441 845**	**392 706**
Profit in equity-accounted investment	-	1 112
Total other income	**-**	**1 112**

The recognized accumulated combined loss on long-term construction contracts in process (NSMVs 1-5, the SRIV and CVs 1-3) as of 31 December 2023 is as follows:

Amounts in USD thousands	31 Dec 2023
Construction contracts revenue recognized to date	1 051 577
Construction contracts expenses recognized to date	(1 121 755)
Construction contracts loss recognized to date	**(70 178)**

The recognized accumulated combined loss on long-term construction contracts in process (NSMVs 1-4) as of 31 December 2022 was as follows:

Amounts in USD thousands	31 Dec 2022
Construction contract revenue recognized to date	609 975
Construction contract expenses recognized to date	(616 356)
Construction contracts loss recognized to date	**(6 381)**

Typical variable consideration elements identified in the Company's construction contracts with customers include liquidated damages, performance guarantees and warranties.

Customer milestone payments as of 31 December 2023 and 31 December 2022 totaled USD 1,263.8 million and USD 835.6 million, respectively. Customer milestone payments received from TOTE Services for NSMVs 1-5, from Great Lakes for the SRIV and from Matson for CVs 1-3 were made at intervals that were intended to be cash neutral and to not require any external financing.

The Company's construction contract and parent company guarantee for the NSMV program prohibit the payment of dividends by PSI and PHLY until the delivery of NSMV 3. Thereafter, the payment of dividends by PSI and PHLY is limited based on the Company's earnings.

Profit in equity-accounted investment of USD 1.1 million in 2022 was for the Company's 53.7% share of the final distribution from the Philly Tankers (Hulls 025-028) escrow account which was released in November 2022.

Vessels-under-construction receivable

Vessels-under-construction receivable as of 31 December 2023 and 31 December 2022 totaled USD 0 million and USD 4.9 million, respectively. Vessels-under-construction receivable represents the difference between (i) cash advances received from customers for vessels under construction and (ii) revenue recognized for those vessels.

Customer advances (net) and other contract liabilities

Customer advances (net) as of 31 December 2023 and 31 December 2022 totaled USD 212.2 million and USD 230.6 million, respectively. Customer advances (net) represents the difference between (i) cash advances received from customers for vessels under construction and (ii) revenue recognized for those vessels.

Other contract liabilities as of 31 December 2023 and 31 December 2022 totaled USD 221 thousand and USD 348 thousand, respectively. Other contract liabilities represents the difference between (i) cash advances received from customers for government design studies and (ii) cost incurred on those studies.

As of 31 December 2023, Philly Shipyard has USD 299.6 million in unpaid non-cancellable purchase commitments for materials, equipment and design fees for vessels under construction.

NOTE 3: WAGES AND OTHER PERSONNEL EXPENSES (SG&A)

Wages and other personnel expenses (SG&A) consist of:

Amounts in USD thousands (except number of employees)	2023	2022
Wages	41 627	33 684
Social security contributions	3 576	2 853
Pension costs (note 14)	1 864	1 327
Other expenses (1)	5 888	5 124
Total gross expense	**52 955**	**42 988**
Expenses charged to vessel construction	(30 462)	(24 845)
Expenses charged to indirect overhead	(19 032)	(14 981)
Wages and other personnel expenses (SG&A)	**3 461**	**3 162**
Average number of employees	470	390
Number of employees at year-end	504	411

(1) Other expenses relate primarily to workers' compensation and employee benefits.

NOTE 4: OTHER OPERATING EXPENSES

Other operating expenses consist of:

Amounts in USD thousands	2023	2022
Non-payroll expenses (SG&A)	4 542	3 941
Under-recovered overhead costs	-	1 718
Total other operating expenses	4 542	5 659

Non-payroll expenses (SG&A) primarily relate to non-payroll selling, general and administrative expenses and concept projects.

Under-recovered overhead costs (i.e., overhead costs incurred and not allocated to projects) were expensed in 2022 since PSI operated at below normal operating levels for a portion of that year.

Amounts in USD thousands	2023	2022
Audit fees	148	147
Other audit and attestation fees	23	32
Total	171	179

NOTE 5: FINANCIAL INCOME AND FINANCIAL EXPENSE

Amounts in USD thousands	2023	2022
Interest income	7 150	2 521
Foreign exchange gain	20	36
Financial income	7 170	2 557
Interest expense	(416)	(570)
Financial expense	(416)	(570)
Net financial items	6 754	1 987

NOTE 6: TAXES

Income tax expense/(benefit)
Recognized in the consolidated income statement

Amounts in USD thousands	2023	2022
Current income tax expense/(benefit):		
Current year - U.S.	2 206	2 499
Current year - Norway	-	-
Total current income tax expense/(benefit)	2 206	2 499
Deferred tax (benefit)/expense:		
Origination and reversal of temporary differences - U.S.	875	(13 127)
Origination and reversal of temporary differences - Norway	-	-
Total deferred tax expense/(benefit)	875	(13 127)
Total income tax expense/(benefit) in the consolidated income statement	3 081	(10 628)

Reconciliation of effective tax rate:

Amounts in USD thousands	2023	2022
Loss before tax	(64 856)	(22 319)
Nominal Norwegian tax rate	22.0%	22.0%
Expected tax (benefit)/expense using nominal Norwegian tax rate	(14 268)	(4 910)
Effect of differences between nominal Norwegian tax rate and U.S. federal, state and city tax rate	(6 933)	(2 607)
Expenses not deductible for tax purposes	161	34
R&D tax credits	(3 731)	(8 695)
R&D tax credits used in 2022	-	5 806
Other differences	(1 908)	(256)
Valuation allowance	29 760	-
Total income tax expense/(benefit) in the consolidated income statement	3 081	(10 628)

The effective tax rate differs from the expected tax rate primarily due to the difference between the nominal Norwegian tax rate and U.S. federal, state and city tax rates, and income that was not taxable in Norway.

Income tax receivable

Amounts in USD thousands	2023	2022
Beginning of the period	17 807	13 507
Taxes (payable)/receivable	(1 747)	(2 499)
Taxes paid/(refunded)	-	6 799
End of the period	16 060	17 807

Income tax payable

Amounts in USD thousands	2023	2022
Beginning of the period	(1 200)	(1 200)
Taxes payable	-	-
Taxes paid/(refunded)	-	-
End of the period	(1 200)	(1 200)

Income tax receivable and income tax payable are offset when there is a legally enforceable right to offset the taxes; however, when the taxes relate to different tax authorities, they cannot be offset. The Company's income tax receivable/(income tax payable) at 31 December 2023 relates to U.S. tax authorities.

Deferred tax asset/deferred tax liability

Deferred tax asset and deferred tax liability are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority, which through 31 December 2023 for the Company was primarily Norway, the United States, the State of Delaware, the Commonwealth of Pennsylvania and the City of Philadelphia.

The offset amounts for U.S. items are as follows:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Deferred tax assets - U.S. tax jurisdictions	33 490	26 208
Deferred tax liabilities - U.S. tax jurisdictions	(8 157)	-
Net deferred tax asset/(liability)	25 333	26 208

The gross movement in the deferred income tax account for U.S. tax jurisdictions is as follows:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Beginning of the period	26 208	13 081
Deferred tax benefit	(875)	13 127
Net deferred tax asset/(liability)	25 333	26 208

Based on its existing order backlog and estimated future taxable profits, the Company has included a deferred tax asset.

The movement in deferred tax asset and deferred tax liability during the year for the U.S. tax jurisdictions is as follows:

Deferred tax asset - movements in the income statement and statement of financial position

Amounts in USD thousands	Other assets	R&E expenses	Total
31 December 2022	9 002	25 403	34 405
(Charged)/credited to the consolidated income statement	4 812	(5 727)	(915)
31 December 2023	**13 814**	**19 676**	**33 490**

Deferred tax liability

Amounts in USD thousands	P,P&E	Work-in-process	Total
31 December 2022	(8 197)	-	(8 197)
(Charged)/credited to the consolidated income statement	40	-	40
31 December 2023	**(8 157)**	**-**	**(8 157)**

Deferred tax asset

The balance comprises temporary differences attributable to:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Deferred tax assets		
Research & experimentation expenses	20 175	25 403
Work-in-process	444	1 984
Under-recovered overhead costs	884	3 184
State and city depreciation	2 798	3 166
Federal R&D tax credits	11 258	7 138
State R&D tax credits	1 168	1 430
Federal net operating losses	3 622	-
State and city net operating losses	10 363	5 410
Valuation allowances	(20 266)	(14 489)
Other items	3 044	1 179
Total deferred tax assets	**33 490**	**34 405**
Deferred tax liabilities		
Property, plant & equipment	8 157	8 197
Total deferred tax liabilities	**8 157**	**8 197**
Total net deferred tax assets	**25 333**	**26 208**

The movement in deferred tax asset and deferred tax liability during the year for the Norwegian tax jurisdiction is as follows:

Deferred tax liability

Amounts in USD thousands	Other liabilities	Total
31 December 2022	-	-
Change in deferred tax liability	-	-
31 December 2023	-	-

PSI has USD 51.7 million of federal tax losses in carryforward at 31 December 2023. These losses do not expire. PSI had USD 5.0 million of federal tax losses in carryforward at 31 December 2021. These losses were used in 2022. The 2018, 2019 and 2020 losses were carried back.

PSI has state and city tax losses in carryforwards as of 31 December 2023 of USD 110.2 million and USD 55.2 million, respectively. The state tax losses expire in 20 years and the city tax losses expire in 3 years. At this time, the Company has not recognized USD 102.8 million of state NOLs and USD 42.3 million of city NOLs due to uncertainty of the Company's ability to utilize the losses.

Income tax benefit/(expense) is recognized on the best estimate of the expected annual income tax rates. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted by the U.S. Congress on 27 March 2020, allows for the carryback of NOLs arising in taxable years beginning after 31 December 2017, and before 1 January 2021, to the five taxable years preceding the loss year. This rule allows corporate taxpayers the opportunity to carry back NOLs to tax years as far back as 2013. As the Company had qualifying taxable losses in 2018, 2019 and 2020, these losses were carried back to previous tax years and resulted in an income tax refund of USD 22.1 million at 31 December 2020.

The 2018, 2019 and 2020 refund claims are currently under examination by the Internal Revenue Service (IRS). The 2018 refund of USD 6.5 million has been received and, due to the backlog at the IRS, the 2019 and 2020 refunds are both expected in the third quarter of 2024.

The Company incurred prototype costs surrounding a research and development (R&D) project that generated a federal and state R&D tax credit. Although the Company believes its methodology for determining the R&D tax credit is fully compliant with the tax law, the issue is whether the nature of some portion of the prototype costs and activities engaged in giving rise to qualified research expenditures is acceptable to the IRS. At 31 December 2020, the Company created a reserve related to this issue. In 2021 the Company had a reserve of USD 4.9 million. In 2022, the Company reserved an additional USD 5.8 million, leaving a reserve amount at 31 December 2022 of USD 10.7 million. In 2023 the Company added an additional USD 1.5 million to the reserve for a balance of USD 12.2 million.

The Norwegian deferred tax asset of USD 8.7 million has not been recorded because the Company does not believe that it will be able to use them.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Movements in property, plant and equipment and right-of-use assets for 2023 are shown below:

Amounts in USD thousands	Machinery and vehicles	Buildings	Land and land improvements	Assets under construction	Total
Cost at 1 January 2023	73 678	72 771	26 502	2 216	175 167
Additions - Property, plant & equipment	-	-	-	6 635	6 635
Additions - Right-of-use assets (includes lease reassessment)	-	5 937	-	-	5 937
Transfers	7 642	144	582	(8 368)	-
Cost at 31 December 2023	**81 320**	**78 852**	**27 084**	**483**	**187 739**
Depreciation and impairment losses at 1 January 2023	66 395	39 501	13 635	-	119 531
Depreciation - Property, plant & equipment	4 901	383	834	-	6 118
Depreciation - Right-of-use assets	150	1 171	281	-	1 602
Depreciation and impairment losses at 31 December 2023	**71 446**	**41 055**	**14 750**	**-**	**127 251**
Net book value at 31 December 2023 (1)	**9 874**	**37 797**	**12 334**	**483**	**60 488**
(1) Net book value of right-of-use assets under lease agreements recorded in the statement of financial position at 31 December 2023 (see note 13):	253	11 732	5 850	-	17 835
Depreciation period	3-12 years	7-30 years	20 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

Movements in property, plant and equipment and right-of-use assets for 2022 are shown below:

Amounts in USD thousands	Machinery and vehicles	Buildings	Land and land improvements	Assets under construction	Total
Cost at 1 January 2022	64 373	63 958	20 583	13 198	162 112
Additions - Property, plant & equipment	-	-	-	12 094	12 094
Additions - Right-of-use assets	294	667	-	-	961
Transfers	9 011	8 146	5 919	(23 076)	-
Cost at 31 December 2022	**73 678**	**72 771**	**26 502**	**2 216**	**175 167**
Depreciation and impairment losses at 1 January 2022	62 416	38 481	12 444	-	113 341
Depreciation - Property, plant & equipment	3 853	326	840	-	5 019
Depreciation - Right-of-use assets	126	694	351	-	1 171
Depreciation and impairment losses at 31 December 2022	**66 395**	**39 501**	**13 635**	**-**	**119 531**
Net book value at 31 December 2022 (1)	**7 283**	**33 270**	**12 867**	**2 216**	**55 636**
(1) Net book value of right-of-use assets under lease agreements recorded in the statement of financial position at 31 December 2022 (see note 13):	403	6 966	6 131	-	13 500
Depreciation period	3-12 years	7-30 years	20 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

Leased plant and machinery
The Shipyard leases production equipment and land improvements under a number of lease agreements. At the end of each of the leases, the Shipyard has the option to purchase the equipment at a beneficial price. The leased equipment secures lease obligations (see note 13).

Property, plant and equipment under construction
Assets-under-construction primarily relate to upgrades in facilities and equipment.

Depreciation
Philly Shipyard's practice is to present its annual depreciation expense on a separate line item in its consolidated income statement when it is building vessels under contract.

Sale leaseback
As part of the 2011 Authorization Agreement, PSDC purchased certain shipyard assets from PSI for a purchase price of USD 42.0 million with funds provided by the Commonwealth of Pennsylvania. PSI leases back those same assets from PSDC subject to the terms of its Shipyard Lease and the Authorization Agreement. For accounting purposes, the transaction was accounted for as a sale/leaseback, and no adjustments were made to the accounting value of the assets at closing.

Right-of-use assets (assets under lease agreements)
The net book value of the assets PSDC purchased from Philly Shipyard in 2011, and subsequently leased to PSI, amounts to USD 9.5 million at 31 December 2023 (USD 10.2 million at 31 December 2022).

The right-of-use asset lease is treated as a government grant under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance (*IAS 20). Upon transition to IFRS 16, the Shipyard will continue to use this policy to record the government grant under IAS 20 against the investment. This gives a USD 1.2 million balance for the right-of-use asset and a USD 1.4 million balance for the lease liability at 31 December 2023, as the grant is deducted to arrive at the carrying amount of the right-of-use asset. For more details regarding the Shipyard Lease, see note 20.

In 2023, two new facilities were recorded as a right-of-use asset. The combined net book value of these assets at 31 December 2023 amounts to USD 5.4 million.

In 2022, the Shipyard and Prime Plate leases were adjusted based on a reassessment of the lease terms for both, and an additional right-of-use asset of USD 0.6 million was recorded. The combined net book value of these right-of-use assets at 31 December 2023 is USD 1.9 million (USD 2.1 million at 31 December 2022).

In addition, office equipment and vehicles were recorded as a right-of-use asset in 2022 totaling USD 324 thousand. The combined net book value of these right-of-use assets at 31 December 2023 is USD 220 thousand (USD 273 thousand at 31 December 2022).

Determination of recoverable amounts/fair values
Due to the market and company specific developments, including operating results, cash flows and backlog, no impairment indicators were identified in 2023 for property, plant and equipment.

NOTE 8: PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables consist of the following items:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Prepaid ship materials deposits	58 861	50 426
Inventory	1 327	1 118
Prepayments other	1 032	766
Trade receivables and other receivables	7 169	47
Total	68 389	52 357

As of 31 December 2023, the Company has USD 58.9 million as prepayments to suppliers for materials and equipment for the construction of NSMVs 2-5, the SRIV and CVs 1-3.

The Company is required to make deposits on long-lead items as well as some progress payments made before the materials and equipment are shipped and delivered. It is the Company's policy to not include these materials and equipment as cost of vessels sold until they are received at the shipyard.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following items:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Cash and bank deposits	79 463	137 586
Cash and cash equivalents in the statement of cash flows	79 463	137 586

Cash and bank deposits are invested in overnight deposits.

NOTE 10: RESTRICTED CASH

Restricted cash consists of the following items:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Restricted cash long-term	34 158	45 420
Restricted cash short-term	10 022	10 011
Total	44 180	55 431

Restricted cash long-term represents cash collateral as required for payment and performance (P&P) bonds to support the NSMV program. Restricted cash short-term represents reserve accounts established for the NSMVs. It is anticipated that the cash collateral for the bonds and the reserve account funds will be released in tranches following the delivery of each NSMV.

As of 31 December 2022, in conjunction with the awards of NSMVs 1-2, NSMVs 3-4 and NSMV 5, the Company secured P&P bonds in the aggregate amount of USD 240.0 million. As a condition of issuing the P&P bonds, the Company was required to post cash collateral for each NSMV. As of 31 December 2022, cash collateral in the aggregate amount of USD 40.4 million was posted for NSMVs 1-5. Upon the delivery of NSMV 1 in 2023, a portion (USD 8.0 million) of the cash collateral for the bonds was released. As of 31 December 2023, restricted cash long-term of USD 34.2 million pertains to cash collateral posted for NSMVs 2-5. It is anticipated that a portion of the total security will be released following the delivery of each NSMV. Pursuant to the P&P bonds, PSI is not permitted to pay any dividends without the surety's consent.

As of 31 December 2022, the Company deposited a total of USD 15.0 million into reserve funds as contractually required for NSMVs 1-3. Upon the delivery of NSMV 1 in 2023, the USD 5.0 million reserve fund required for NSMV 1 was released. As of 31 December 2023, restricted cash short-term of USD 10.0 million pertains to reserve funds required for NSMVs 2-3. It is anticipated that USD 5.0 million of the total security will be released following the delivery of each NSMV.

NOTE 11: INCOME/(LOSS) PER SHARE

Basic and diluted

Basic and diluted income/(loss) per share is calculated by dividing the total comprehensive income/(loss) attributable to equity holders of PHLY by the weighted average number of ordinary shares issued.

Amounts in USD thousands (except share amounts and earnings per share)	2023	2022
Total comprehensive loss attributable to equity holders of PHLY	(67 937)	(11 691)
Weighted average number of ordinary shares	12 107 901	12 107 901
Basic and diluted loss per share (USD)	(5.61)	(0.97)

At 31 December 2023 and 31 December 2022, PHLY had 12,107,901 ordinary shares (excluding 466,865 treasury shares) at a par value of NOK 10 per share. There were no share issuances or repurchases in 2023 or 2022.

There were no potentially dilutive securities outstanding as of 31 December 2023 and 31 December 2022.

NOTE 12: PAID IN CAPITAL

The current share capital (excluding 466,865 treasury shares) is 12,107,901 shares issued and outstanding as of 31 December 2023, each with a par value of NOK 10, fully paid. As of 31 December 2023, there are no additional authorized shares.

NOTE 13: LEASES

Lease liabilities are payable as follows as of 31 December:

	2023			2022		
Amounts in USD thousands	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	1 652	595	1 057	472	186	286
More than one year	9 145	2 357	6 788	3 055	701	2 354
Total	10 797	2 952	7 845	3 527	887	2 640

PSI operates on land leased from PSDC through April 2038. At expiration of the initial 20-year lease period in 2018, the Shipyard lease was renewed for the first of three 20-year option periods. PSI retains options to renew the Shipyard lease for two more consecutive periods of 20 years each and one final period of 19 years. PSI can acquire the land for USD 1 after the expiration of all renewal periods. Annual payments under the Shipyard lease include rent, taxes and operating expenses (operating expenses are subject to an annual revision based on PSDC's operating expenses). Originally, lease payments for rent due under the Shipyard lease were USD 1 per year. Upon the award of the NSMV program in 2020, the annual rent under the Shipyard lease increased to USD 200 thousand per annum.

The Shipyard lease is treated as a government grant under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance.* This gives a USD 1.2 million balance for the right-of-use asset and a USD 1.4 million balance for the lease liability at 31 December 2023, as the grant is deducted to arrive at the carrying amount of the right-of-use asset. For more details regarding the Shipyard lease, please see note 20.

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Current balance as of 1 January	2 640	1 904
New leases	5 911	961
Repayment of lease liability	(1 068)	(452)
Interest expense on lease liability	329	83
Remeasurement of leases	33	144
Current balance as of 31 December	7 845	2 640

NOTE 14: PENSION COSTS

Pension costs recognized in the consolidated income statement:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Contribution plans (employer's contribution)	1 864	1 327
Total	1 864	1 327

PSI has a defined contribution plan for its non-union employees which provides for a PSI contribution based on a fixed percentage of certain employee contributions plus a discretionary percentage of salaries. In addition, PSI's union employees are participants in a multi-employer union selected pension plan (Union Plan). PSI contributes a fixed amount per hour worked to the Union Plan. If PSI were to terminate its relationship with the Union Plan, PSI could be statutorily liable for a termination liability calculated at the termination date. The termination liability at 31 December 2023 was USD 5.1 million. Currently, PSI has no plans to terminate this relationship. Thus, no termination liability has been recognized in the consolidated financial statements. However, the termination liability will be incurred in the event the company permanently ceases its operation. PSI estimates that it will contribute approximately USD 0.7 million to the Union Plan in 2024.

NOTE 15: OTHER PROVISIONS - WARRANTIES

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Current balance as of 1 January	250	1 973
Provisions made during the period	2 000	-
Provisions used during the period	(119)	(1 723)
Current balance as of 31 December	2 131	250

The warranty provision made in 2023 of USD 2.0 million relates to NSMV 1. The normal warranty period for a new vessel is typically twelve months after delivery, but can be extended in cases where there are specific issues that have not been fully resolved within the normal warranty period.

Warranty provisions used in 2022 of USD 1.7 million relates to close out settlement claims for the second containership vessel delivered to Matson in 2019.

NOTE 16: TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities comprise the following items:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Ship material and subcontracting accruals	33 275	26 172
Trade payables	25 314	10 890
Employee-related cost accruals	4 288	3 984
Overhead and capital projects accruals	2 160	684
Total	65 037	41 730

For further details on onerous contracts, please refer to note 2.

NOTE 17: FINANCIAL INSTRUMENTS

Philly Shipyard's activities are exposed to a variety of financial risks: credit and investment risk, liquidity risk, foreign exchange risk, and capital management risk. PSI's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Philly Shipyard's financial performance. The Company may use derivative financial instruments to hedge certain risk exposures. As of 31 December 2023, there were no foreign exchange contracts in place.

Risk management is carried out under policies approved by the Board of Directors. The Board of Directors provides principles for overall financial risk management as as well as policies covering specific areas such as foreign exchange risk, credit risk and use of derivative financial instruments and non-derivative financial instruments.

Credit and investment risk

Due to the nature of the Shipyard's operations, revenues and related receivables are typically concentrated amongst a few customers. The Company continually evaluates the credit risk associated with customers and their assignees and manages this risk by requiring payment for substantially the entire contractual amount prior to delivering a vessel, including milestone payments upon completion of specified milestones.

Additionally, PSI monitors the financial condition of the financial institutions which it uses for cash management services and in which it makes deposits and other investments. Philly Shipyard responds to changes in conditions affecting its deposit relationships as situations warrant.

The carrying amount of financial assets represents the maximum credit exposure. At 31 December 2023 and 31 December 2022, the maximum exposure to credit risk is as follows:

Amounts in USD thousands	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	79 463	137 586
Restricted cash	44 180	55 431
Trade receivables	7 169	47
Total	130 812	193 064

Liquidity risk

Liquidity risk is the risk that Philly Shipyard will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. PSI's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Philly Shipyard attempts to mitigate this risk through project financing and working capital facilities, progress payments from its customers, and material supplied and paid directly by its customers.

The following are the contractual maturities of financial liabilities including interest payments:

	31 December 2023						
Amounts in USD thousands	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:							
Lease liability	7 845	10 797	(826)	(826)	(1 698)	(1 302)	(6 145)
Trade payables	25 314	(25 314)	(25 314)	-	-	-	-
Total	33 159	(14 517)	(26 140)	(826)	(1 698)	(1 302)	(6 145)

Amounts in USD thousands	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
	31 December 2022						
Non-derivative financial liabilities:							
Lease liability	2 640	3 527	(236)	(236)	(472)	(1 417)	(1 166)
Trade payables	10 890	(10 890)	(10 890)	-	-	-	-
Total	13 530	(7 363)	(11 126)	(236)	(472)	(1 417)	(1 166)

Book values included in the above tables are gross loan amounts.

Foreign exchange risk

Philly Shipyard is exposed to foreign exchange risk for purchases made in currencies other than the U.S. dollar which primarily relates to materials, supplies and costs related to the services of expatriate workers purchased from Norway and other countries in Europe. Philly Shipyard attempts to mitigate this risk through its foreign exchange hedging program or passing this risk onto its end customers by having them purchase certain materials directly in foreign currency or agree to exchange rate adjustment clauses for purchases made in foreign currency.

The Company incurs foreign currency risk on purchases that are denominated in a currency other than USD. The currencies giving rise to this risk are primarily EUR (Euro), NOK (Norwegian Krone), KRW (Korean Won) and SEK (Swedish Krona).

The Company had no forward contracts as of 31 December 2023 and 31 December 2022.

Exposure to foreign exchange risk

The Company's exposure to foreign exchange risk at 31 December 2023 and 31 December 2022 was as follows based on the following notional amounts:

Amounts in USD thousands	EUR	NOK	KRW	SEK	EUR	NOK	KRW	SEK
	2023				2022			
Balance sheet exposure:								
Trade payables (-)	(170)	-	-	-	(41)	-	-	-
Cash	-	18	-	-	-	65	-	-
Gross balance sheet exposure	(170)	18	-	-	(41)	65	-	-
Estimated forecast expenses (-)	(16 989)	-	(9 510)	(5 343)	(21 700)	-	(711)	-
Net balance sheet exposure	(17 159)	18	(9 510)	(5 343)	(21 741)	65	(711)	-

Sensitivity analysis

In managing currency risks, the Company aims to reduce the impact of short-term fluctuations on its earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on consolidated earnings.

It is estimated that a 10% strengthening of the USD against other foreign currencies would not have significantly impacted the Company's loss before tax for 2023 and for 2022.

Fair values

Carrying amount of the Group's financial assets and financial liabilities is a reasonable approximation of their fair value. There were no financial instruments measured at fair value as of 31 December 2023 or 31 December 2022.

NOTE 18: SHARES OWNED OR CONTROLLED BY AND REMUNERATION TO THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF PHILLY SHIPYARD

Shares owned in Philly Shipyard ASA as of 31 December 2023 and 31 December 2022

Name	Position	2023 number of shares held	2022 number of shares held
Elin Karfjell	Board Member	1 200	1 200
Steinar Nerbøvik	President and CEO	1 000	1 000

There is no share option agreement between Philly Shipyard ASA and Senior Management or Directors.

Remuneration to the Board of Directors for the years ended 31 December 2023 and 31 December 2022

		2023 remuneration		2022 remuneration	
Name	Position	(NOK)	(USD)	(NOK)	(USD)
Kristian Røkke	Board Chairman	497 000	48 874	475 000	48 188
Elin Karfjell	Board Member	392 000	38 549	375 000	38 043
Jan Petter Hagen	Board Member	392 000	38 549	250 000	25 362
Susan Hayman	Board Member	392 000	38 549	-	-
Amy Humphreys	Deputy Board Chairperson	-	-	125 000	12 681
Total Directors' fees		1 673 000	164 520	1 225 000	124 274

No Board members received any remuneration other than Directors' fees shown above and audit committee members' fees described below. The Board remuneration for Kristian Røkke is paid to his employer Aker Horizons AS.

Remuneration to the audit committee

The audit committee of PHLY is comprised of Elin Karfjell (Chairperson) and Jan Petter Hagen. Remuneration for the Chairperson is NOK 58,000 (USD 5,704) and for the member is NOK 47,000 (USD 4,622). This is in addition to the amounts shown in the Board of Directors' table above.

Remuneration to the nomination committee

The nomination committee of PHLY is comprised of Ingebret G. Hisdal (Chairperson) and Charlotte Håkonsen. Hilde K. Ramsdal serves as deputy member to the committee. Remuneration for the Chairperson is NOK 52,000 (USD 5,114) and for the member is NOK 42,000 (USD 4,130). Remuneration for Charlotte Håkonsen is paid to her employer Aker ASA.

Guidelines for remuneration to the President and CEO and other members of the Management Team

The President and CEO and other members of PSI's Management Team that report directly to the President and CEO receive a base salary. In addition, a variable pay as further described below may be awarded.

The President and CEO and other members of the Management Team participate in the insurance schemes, applicable to all employees.

The President and CEO receives monthly pension contributions. The other members of the Management Team participate in the standard Company 401K plan (employer-sponsored retirement account), 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 other members of the Management Team.

The Company does not offer share option programs to the President and CEO or other members of the Management Team, but the President and CEO and certain senior members of the Management Team can be awarded shares under the AVP program as further described below.

Annual variable pay program

The Company has an annual variable pay (AVP) program, which was developed in order to create a performance-based system. The system of reward is designed to contribute to the achievement of good financial results and increase shareholder value.

The AVP program is based on the achievement of defined annual results such as financial targets (profit and working capital), order intake, project targets, development of commercial solutions, alignment with Company's values and improvement of HSE results. The AVP program includes two payments, i.e., a base award and a deferred payment. The base award represents a potential for an additional variable pay up to 70% of base salary for the President and CEO and 60% for other members of the Management Team. The deferred payment, which is designed to incentivize and retain key personnel, is equal to 50% of the base award and is payable between 12-21 months after the base award.

From 2024, the AVP program includes the two payments described above and share awards (as further described below) for the President and CEO and certain senior members of the Management Team.

The Company cannot demand repayment of the variable remuneration that has been awarded, but the Company is not required to pay the variable remuneration if the recipient is no longer employed by the Company on the distribution/payment date or has given notice of the recipient's intention to resign.

Share awards under the annual variable pay program

From 2024, it is the Board's current intention to implement share awards as a third method of renumeration to the President and CEO and certain senior members of the Management Team under the AVP program. Notwithstanding the inclusion of share awards, the criteria for the AVP program remains the same.

The share awards, which are designed to incentivize and retain key personnel, will be equal to 50% of the base awards at the average share price for the period spanning 30 days prior to the award date. The shares underlying the awards are not subject to a traditional vesting schedule, but will be deposited into a securities account for a period of 12 months following the date of the award. After which, the shares will be transferred to the recipient, who will be responsible for any tax liability payable on the value of the shares at the date of receipt. The shares underlying the awards will be subject to certain restrictions on sale and transferability.

Given the relative value of the share awards, and the fact that the Company will use treasury shares to settle the share awards, the AVP program will have minimal effects on the Company and the shareholders.

Remuneration to Senior Management for 2023 (1)

Amounts in USD			Base salary	Variable pay (2)	Pension contribution	Other benefits	Total remuneration	Severance pay
Steinar Nerbøvik	President and CEO	1 Jan - 31 Dec	451 952	106 094	32 000	70 772	660 818	12 months
Jeffrey Theisen	CFO	1 Jan - 31 Dec	298 869	58 314	21 590	18 636	397 409	12 months

(1) PHLY has no employees. The Senior Management employees are employed in the operating company.

(2) Mr. Nerbøvik's variable pay in 2023 consisted of an award under the 2023 AVP program, as well as a deferred award under the 2022 AVP program earned in 2023 (USD 39,294 and USD 66,800, respectively). Mr. Theisen's variable pay in 2023 consisted of an award under the 2023 AVP program, as well as a deferred award under the 2022 AVP program earned in 2023 (USD 22,200 and USD 36,114, respectively). Mr. Nerbøvik and Mr. Theisen will earn deferred awards under the 2023 AVP program of USD 19,647 and USD 11,100, respectively, if they remain employed with PSI during 2024.

Remuneration to Senior Management for 2022 (1)

Amounts in USD			Base salary	Variable pay (2)	Pension contri-bution	Other benefits	Total remun-eration	Severance pay
Steinar Nerbøvik	President and CEO	1 Jan - 31 Dec	449 079	133 601	32 000	73 556	688 236	12 months
Jeffrey Theisen	CFO	1 Jan - 31 Dec	283 250	72 229	16 166	11 768	383 413	12 months

(1) PHLY has no employees. The Senior Management employees are employed in the operating company.
(2) Mr. Nerbøvik's variable pay in 2022 consisted of an award under the 2022 AVP program.
Mr. Theisen's variable pay in 2022 consisted of an award under the 2022 AVP program.

NOTE 19: PHLY COMPANIES

Company name	Incorporation State	Incorporation Country	Ownership %
Philly Shipyard, Inc.	Pennsylvania	USA	100.0%

NOTE 20: GOVERNMENT GRANTS, OTHER COMMITMENTS AND CONTINGENCIES AND LEGAL MATTERS

Government grants
For the year ended 31 December 2023, the Shipyard received USD 918 thousand for reimbursement of employee training costs from various governmental agencies (USD 167 thousand in 2022).

For the year ended 31 December 2022, the Shipyard received USD 720 thousand in grant funds for capital and infrastructure improvements under the Small Shipyard Grant Program.

Other commitments and contingencies
PSI is required to pay a common area maintenance charge each month of approximately USD 69 thousand, subject to escalation, through the term of its shipyard lease.

For the years 2018 through 2025, PSI is committed to a fixed payment-in-lieu-of-taxes (PILOT) of approximately USD 863 thousand per year to the City of Philadelphia.

Pursuant to the Shipyard lease between PSI and Philadelphia Shipyard Development Corporation (PSDC), if PSI fails to maintain an average of at least 200 full-time employees at the shipyard for 90 consecutive days, then the lease term (i.e., a 99-year lease with approximately 75 years remaining including options) is automatically converted to month-to-month and PSDC has the right to terminate the lease, subject to the right of PSI to complete work-in-process projects and a one-time, limited cure right which allows PSI to restore the lease to a five-year term under certain circumstances. PSI was in compliance with this lease condition as of 31 December 2023.

Legal matters
The Company is involved in various legal disputes in the ordinary course of business related primarily to personal injury matters, employment matters and commercial matters. Provisions have been made to cover the expected outcomes when it is probable that a liability has been incurred and the amount is reasonably estimable. Although the final outcome of these matters is subject to uncertainty, in the Company's opinion the ultimate resolution of such legal matters will not have a material adverse effect on the Company's financial position or results of operations.

NOTE 21: TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES

Aker Capital AS, a wholly-owned subsidiary of Aker ASA, is the majority shareholder in PHLY, owning 57.6% of its total outstanding shares as of 31 December 2023. Kristian Røkke, the Chairman of the Board of Directors of PHLY, is a board member of TRG Holding AS, which owns 68.2% of the total outstanding shares of Aker ASA as of 31 December 2023. TRG Holding AS is controlled by Kjell Inge Røkke through The Resource Group TRG AS.

Transactions

On 4 March 2022, PSI obtained a USD 25.0 million standby letter of credit (SBLOC) from a bank to fulfill its contractual obligation under the SRIV contract. The standby letter of credit is secured by a first priority lien in the shares and material assets of PSI, subject to certain exclusions, has normal and customary fees, and accrues interest quarterly in arrears at 4.0% per annum. Aker Capital AS holds 50.0% of the commitment. For the full year ending 31 December 2023, Philly Shipyard paid fees of USD 507 thousand (USD 544 thousand for the same period in 2022) for further payment to Aker Capital AS pursuant to this arrangement.

Philly Shipyard has service agreements with Aker ASA and certain of its affiliates which provide specified consulting, tax, financial, insurance and administrative services. All payables (including service fees and insurance premiums) under these agreements are paid within the normal course of business. Philly Shipyard believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

Related administrative costs and financial statement amounts are as follows:

Amounts in USD thousands	Expenses 2023	Expenses 2022
Aker U.S. Services LLC	132	132
Aker Insurances AS	387	358
Aker ASA (inclusive of above noted SBLOC fees)	522	549

NOTE 22: SUBSEQUENT EVENTS AFTER 31 DECEMBER 2023

There are no events after 31 December 2023 that require disclosure.

Income Statement

Amounts in USD thousands	Note	2023	2022
Operating revenues		-	-
Operating expenses	2	(680)	(598)
Operating loss		**(680)**	**(598)**
Interest income earned from subsidiaries		-	-
Interest expense payable to subsidiaries		(1 160)	(1 094)
Other interest income and financial income		59	58
Other interest expense and financial expense		(45)	(60)
Loss before tax		**(1 826)**	**(1 694)**
Income tax (expense)/benefit	4	-	-
Net loss after tax		**(1 826)**	**(1 694)**
Allocation of net loss:			
Net loss after tax		(1 826)	(1 694)
Other equity	5	1 826	1 694

Statement of Financial Position

as of 31 December

Amounts in USD thousands	Note	2023	2022
ASSETS			
Shares in subsidiary		67 000	67 000
Total non-current assets		**67 000**	**67 000**
Prepayments and other receivables		91	108
Cash and cash equivalents	6	78	79
Total current assets		**169**	**187**
TOTAL ASSETS		**67 169**	**67 187**
EQUITY AND LIABILITIES			
Share capital		22 664	22 664
Share premium reserve		12 542	12 542
Total paid in capital		**35 206**	**35 206**
Other equity		2 096	3 922
Total equity	5	**37 302**	**39 128**
Loan from subsidiary	8	29 611	27 851
Total non-current liabilities		**29 611**	**27 851**
Trade payables and accrued liabilities		256	208
Total current liabilities		**256**	**208**
Total liabilities		**29 867**	**28 059**
TOTAL EQUITY AND LIABILITIES		**67 169**	**67 187**

Oslo, Norway - 12 March 2024 - **Board of Directors Philly Shipyard ASA**

Kristian Røkke	Jan Petter Hagen	Elin Karfjell	Susan Hayman	Steinar Nerbøvik
Board Chairman	*Board Member*	*Board Member*	*Board Member*	*President and CEO*

Cash Flow Statement

Amounts in USD thousands	2023	2022
Loss before tax	(1 826)	(1 694)
Payment-in-kind interest expense payable to subsidiary	1 160	1 091
Change in prepayments and other receivables	17	(94)
Change in trade payables and accrued liabilities	48	17
Net cash flow used in operating activities	**(601)**	**(680)**
Net cash flow used in investing activities	**-**	**-**
Loan proceeds from subsidiary	600	600
Net cash flow from financing activities	**600**	**600**
Net change in cash and cash equivalents	**(1)**	**(80)**
Cash and cash equivalents as of 1 January	79	159
Cash and cash equivalents as of 31 December	**78**	**79**

Notes to the Parent Company Accounts

NOTE 1: BASIS FOR PREPARATION

The accounts of Philly Shipyard ASA (referred to herein as PHLY) are presented in conformity with Norwegian legislation and generally accepted accounting principles in Norway. PHLY's functional and reporting currency is the U.S. dollar (USD), except when indicated otherwise.

Subsidiaries

Subsidiaries are presented on a historical cost basis in the parent company accounts. The investment is valued at historical cost for the shares unless impairment write-downs have been deemed necessary. The shares are written down to fair value if the impairment is not of a temporary nature and is necessitated by generally accepted accounting principles. Write-downs are reversed when the basis for the write-down no longer exists.

Dividends and other payments are taken to income in the year they are accrued in the subsidiary. If dividends exceed retained earnings after the purchase, the excess represents repayment of invested capital and the payments are deducted from the invested value in PHLY's statement of financial position.

Classification and valuation of statement of financial position items

Current assets and current liabilities include items that have less than one year to maturity, and other items that are deemed operational working capital. Other items are classified as non-current assets/non-current liabilities.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are valued at their nominal historical value at the time the liability arises.

Non-current assets are valued at historical cost, but are written down to fair value if impairment is deemed to be of a permanent nature. Non-current liabilities are valued at nominal historical values.

Tax

Tax benefit/(expense) in the income statement comprises both current payable taxes and the change in deferred tax. Payable tax is calculated on the basis of the profit for the period in Norwegian Kroner (NOK). Deferred tax at 31 December 2023 is calculated using a 22% income tax rate utilizing the difference that exists between book values and tax values and the net operating losses that can be carried forward at the statement of financial position date. Tax-increasing and tax-reducing temporary differences that are reversing or can reverse in the same period are offset against each other. Net tax assets are shown in the statement of financial position to the extent it is probable that these assets can be utilized.

Cash flow statement

The cash flow statement is shown using the indirect method. Cash and cash equivalents comprises cash, bank deposits and other short-term liquid placements.

Use of estimates

Preparation of financial statements in conformity with generally accepted accounting principles in Norway requires management to make estimates and assumptions that affect the income statement, the reported amounts of assets and liabilities and also the disclosure of contingent assets and liabilities on the statement of financial position date.

Contingent losses that are probable and quantifiable are expensed when they are identified.

Going concern

As noted in note 1 of the consolidated financial statements, the 2023 financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the normal course of business.

NOTE 2: OTHER OPERATING EXPENSES

Fees to the auditors for ordinary audit and other audit and attestation fees have been expensed.

Amounts in USD thousands	2023	2022
Audit fees	30	29
Other audit and attestation fees	20	-
Total	50	29

PHLY has no employees. The Senior Management is employed in the operating company. Fees to the Board of Directors of USD 172 thousand and USD 178 thousand were expensed in 2023 and 2022, respectively.

NOTE 3: SHARES IN SUBSIDIARY

This item comprises the following as of 31 December 2022:

Amounts in USD thousands	Ownership and voting rights (%)	Business address	Historical cost	Book value
Philly Shipyard, Inc. (PSI)	100%	Philadelphia, PA	67 000	67 000
Total shares in subsidiary			67 000	67 000

PSI's results after-tax in 2023 and equity at the end of 2023 are (in USD thousands):

Results after-tax 2023	(66 111)
Equity at 31 December 2023	35 533

Based on the net asset position of PSI (the investment in subsidiary) as well as the cash on hand at PSI, PHLY has concluded that no impairment indicators have been identified at 31 December 2023.

NOTE 4: TAXES

The table below shows the difference between book and tax values by the end of 2023 and 2022 and the amounts of deferred taxes at these dates and the change in deferred taxes.

Amounts in USD thousands	2023	2022
Losses carried forward	8 636	6 598
Other temporary differences	26	996
Total differences	**8 662**	**7 594**
Net deferred tax asset/(liability), 22%/22%	-	-
Foreign currency impact	-	-
Deferred tax asset/(liability) in the statement of financial position	-	-

Estimated result for tax purposes:

Amounts in USD thousands	2023	2022
Loss before tax measured in NOK for taxation purposes	(1 826)	-1 694
Change in temporary differences	(23)	20
Interest limitation	-	1 070
Foreign currency impact	(721)	604
Estimated income for tax purposes	**(2 570)**	-
Income tax payable, 22%/22%	-	-

Income tax benefit/(expense) in the income statement:

Amounts in USD thousands	2023	2022
Income tax payable	-	-
Change in deferred tax liability	-	-
Foreign currency impact	-	-
Excessive accrued income tax payable from prior year	-	-
Income tax benefit	-	-

The Norwegian deferred tax assets of USD 2.1 million have not been recorded because the Company does not believe that they will be able to use them.

NOTE 5: TOTAL EQUITY

Changes in equity are:

Amounts in USD thousands	Share capital	Share premium	Treasury shares	Total paid in capital	Other equity	Total equity
Equity as of 1 January 2023	22 664	22 511	(9 969)	35 206	3 922	39 128
Net loss for the year 2023	-	-	-	-	(1 826)	(1 826)
Equity as of 31 December 2023	**22 664**	**22 511**	**(9 969)**	**35 206**	**2 096**	**37 302**

The share capital of NOK 125,747,660 consists of 12,574,766 shares (including 466,865 treasury shares) with a par value of NOK 10 as of 31 December 2023.

PHLY is a part of the consolidated accounts of Aker ASA, Oksenøyveien 10, NO-1366 Lysaker, Norway.

Twenty largest shareholders
(as of 31 December 2023)

Shareholders	Number of shares held	Ownership (in %)
Aker Capital AS	7 237 631	57.6%
J.P. Morgan Securities LLC	1 207 717	9.6%
Philly Shipyard ASA	466 865	3.7%
Nordnet Livsforsikring AS	165 555	1.3%
Kristian Newil Kemp	127 000	1.0%
Interactive Brokers LLC	113 672	0.9%
Sivert Berg	110 800	0.9%
Tor-Fredrik Naevdal	109 145	0.9%
Citibank	100 781	0.8%
Nordnet Bank AB	81 217	0.6%
Kristian Falnes AS	75 000	0.6%
Kim Skailand	68 000	0.5%
Peter Myhre	58 800	0.5%
Trading Partner AS	52 734	0.4%
Filip Kristiansen	49 174	0.4%
Jan Reidar Jørgensen	49 000	0.4%
Thomas Fuglestad	44 612	0.4%
Citibank	39 836	0.3%
Ronny Kandal	36 023	0.3%
Ottar Gisti Kristiansen	35 500	0.3%
Total, 20 largest shareholders	**10 229 062**	**81.4%**
Other shareholders	2 345 704	18.6%
Total shareholders	**12 574 766**	**100.0%**

NOTE 6: CASH AND CASH EQUIVALENTS

There is no restricted cash.

NOTE 7: SHARES OWNED BY THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

For information regarding shares owned by the members of the Board of Directors and the Senior Management, please see note 18 to the consolidated accounts.

NOTE 8: RELATED PARTY TRANSACTIONS AND GUARANTEES

PHLY supplied a parent company guarantee for the obligations of PSI under the construction contract with TOTE Services, LLC for the NSMV program. This guarantee prohibits the payment of dividends by PHLY until the delivery of NSMV 3. Thereafter, the payment of dividends is limited based on the Company's earnings.

PHLY supplied a parent company guarantee for the obligations of PSI under the construction contract with Great Lakes Dredge & Dock Company, LLC for the SRIV project.

PHLY supplied a parent company guarantee for the obligations of PSI under the construction contract with Matson Navigation Company, Inc. for the CV project.

PHLY supplied a parent company guarantee for the obligations of PSI under the payment and performance bonds (P&P bonds) related to NSMVs 1-5. The maximum liability of PHLY under this guarantee is USD 250.0 million.

PHLY supplied a parent company guarantee for the obligations of PSI under the standby letter of credit (SBLOC) related to the SRIV. The maximum liability of PHLY under this guarantee is USD 30.0 million plus interest thereon and fees, costs and expenses. This guarantee is secured by a pledge of the shares of PSI.

PHLY has service agreements with Aker ASA and certain of its affiliates which provide consulting, tax, financial, insurance and administrative services. All payables (including service fees and insurance premiums) under these agreements are paid within the normal course of business. Philly Shipyard believes that related party transactions are made on terms equivalent to those that prevail in arm's length transactions. Total expenses incurred under these agreements in 2023 and 2022 were USD 176 thousand and USD 140 thousand, respectively.

PSI, as lender, and PHLY, as borrower, are parties to a loan agreement. The facility is for up to USD 60.0 million and interest is at a fixed rate of 4.00% per annum, with payment-in-kind quarterly interest payments (in lieu of cash quarterly interest payments) at the option of PHLY. The loan is payable on demand with advance notice of 90 days. As of 31 December 2023, USD 29.6 million is outstanding under the facility.

Auditor's Report

To the General Meeting of Philly Shipyard ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philly Shipyard ASA, which comprise:

- the financial statements of the parent company Philly Shipyard ASA (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Philly Shipyard ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 2 years from the election by the general meeting of the shareholders on 20 April 2022 for the accounting year 2022.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters this year. *Revenue Recognition from Construction Contracts* has the same characteristics during 2023, and consequently have been areas of focus also for this year's audit

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue Recognition from Construction Contracts	
The Group recognises revenue over time based on the estimated stage of completion of contracts. Revenue recognition requires application of Management judgment when determining the stage of completion of contracts at the balance sheet date. The stage of completion is a function of incurred project costs relative to total forecasted project costs. We focused on revenue recognition from construction contracts because of the material effect Management judgment may have on the financial statement line items Revenue and Customer advances (net). Specifically, Management judgment is applied in estimating total forecasted project costs related to vessel construction. Although a significant part of the vessel cost is fixed, the estimate involves Management judgment on the future outcome of comprehensive production processes based on a vast amount of data, including forecasting the cost and amount of labor hours, the future prices of certain vessel materials and services, and contingencies. The existing contracts have long duration and there is limited history from similar constructions, which makes the estimates more demanding.	We obtained an understanding of the Group's construction contracts by reviewing the contracts, and through discussions with Management. Based on our understanding of the Group's construction contracts, we evaluated Management's application of accounting principles against IFRS 15 Revenue from contracts with customers. We found that the accounting practices are consistent with the contracts' stipulations and IFRS 15. We performed various procedures to assess whether Management's judgments were reasonable. Specifically, we: • Interviewed both project and finance Management in order to understand the Group's internal control over financial reporting with respect to project accounting, and to gain an understanding of the estimation and accounting process as well as Management's competence and experience. • Performed a retrospective review of historical estimates on delivered vessels to test historical accuracy. • Assessed the reasonableness of the assumptions used by Management to develop cost estimates for the different cost components that were not fixed costs. • Tested internal controls related to the Group's quarterly approval of estimate changes. • Tested material input factors against supporting documentation, such as vendor contracts for vessel materials and services, indexes for steel prices, approved budgets for production and support hours, and production schedules.

Note 1 and 2 include information on the Group's construction contracts and how Management exercises their judgment.

- Challenged and reviewed Management's evaluation of contingencies for uncertain costs and assessed the reasonableness of the assumptions used for overhead allocation.
- Challenged and reviewed estimated cost development related to production of the five NSMV vessels and reconciled the stage of completion on open projects to amounts recognised in the financial statements.

Finally, we evaluated the overall consistency of information gathered in discussions with key personnel including Management, performed internal control testing, test of details, and assessed information received after the reporting date.

We found that assumptions used, and judgements made by Management were reasonable. We also reviewed the disclosures in note1 and 2 and found them to be appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Philly Shipyard ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "549300HMTSHZZD4YR890-2023-12-31-en.zip", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 12 March 2024
PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant

Shares and Shareholder Matters

Philly Shipyard ASA (PHLY) is committed to maintaining an open and direct dialogue with its shareholders, potential investors, analysts, brokers and the financial community in general.

The timely release of information to the market that could affect PHLY's share price helps ensure that Philly Shipyard ASA's share price reflects its underlying value.

PHLY's goal is that its shareholders will, over time, receive competitive returns on their investments through a combination of dividends and share price growth. In line with this objective, PHLY has paid out significant dividends in the past.

On 12 March 2024, the PHLY Board revised the Company's dividend policy as follows:

"The Company's objective is to provide its shareholders with a competitive return on its shares over time based on the Company's earnings. The Company's focus is on long-term profitability, and its current priority is to strengthen its balance sheet. Accordingly, no dividends are contemplated until further notice."

In 2023, PHLY did not pay any dividends. The PHLY Board does not foresee payment of shareholder distributions, including dividends and share buybacks, until the Company has returned to sustained profitability.

The Norwegian Public Limited Liability Companies Act allows for the Board of Directors to pay dividends on the basis of an authorization from the annual general meeting. The Board of Directors will therefore propose to the annual general meeting in 2024 that the Board of Directors is granted an authorization to pay dividends based on PHLY's annual accounts for 2023, valid up to PHLY's annual general meeting in 2025. Such authorization will facilitate potential payments of dividends by the Board of Directors in accordance with PHLY's dividend policy.

SHARES AND SHARE CAPITAL

As of 31 December 2023, Philly Shipyard ASA has 12,574,766 ordinary shares; each share has a par value of NOK 10 (see note 5 to the Parent company's 2023 accounts). As of 31 December 2023, PHLY had 1,322 shareholders, of whom 59 shareholders, or 4.5%, were non-Norwegian shareholders.

PHLY has a single share class. Each share is entitled to one vote. PHLY holds 466,865 of its own (treasury) shares, constituting 3.7% of the shares outstanding, as of 31 December 2023.

STOCK EXCHANGE LISTING

Philly Shipyard ASA was listed on the Euronext Expand Oslo (formerly known as Oslo Axess) on 17 December 2007 (ticker: PHLY). PHLY's shares are registered in the Norwegian Central Securities Depository; the shares have the securities registration number ISIN NO 0010395577. DNB Bank ASA is PHLY's registrar.

MAJORITY SHAREHOLDER

Philly Shipyard ASA's majority shareholder is Aker Capital AS, a wholly-owned subsidiary of Aker ASA. Companies that are part of Aker are legally and financially independent units. Aker Capital AS exercises active ownership as part of systematic efforts to create value for all PHLY shareholders.

From time to time, agreements are entered into between the Company and one or more Aker companies. The Boards of Directors and other parties involved in the decision-making processes related to such agreements are all critically aware of the need to handle such matters in the best interests of the involved companies, in accordance with good corporate governance practice. If needed, external, independent opinions are sought.

SHARE CAPITAL DEVELOPMENT OVER THE PAST THREE YEARS

	Change in share capital (in NOK)	Share capital (in NOK)	Number of shares	Par value (in NOK)
Change in 2021	-	-	-	-
31 December 2021	-	125 747 660	12 574 766	10.00
Change in 2022	-	-	-	-
31 December 2022	-	125 747 660	12 574 766	10.00
Change in 2023	-	-	-	-
31 December 2023	-	125 747 660	12 574 766	10.00

CURRENT BOARD AUTHORIZATIONS

As of 31 December 2023, the Board of Directors of Philly Shipyard ASA has an authorization to pay dividends, an authorization to increase the share capital and two separate authorizations to acquire own shares. All of these current Board authorizations are valid up until the next annual general meeting in 2024. For more details, please see "Board authorizations" on page 76.

STOCK OPTION PLANS

As of 31 December 2023, Philly Shipyard ASA has no stock option program, but the President and CEO and certain members of the senior management team can be awarded shares under the AVP program as further described in note 18 of the consolidated accounts.

INVESTOR RELATIONS

Philly Shipyard ASA seeks to maintain an open and direct dialogue with shareholders, financial analysts and the financial market in general.

All Philly Shipyard press releases and investor relations publications, including archived material, are available at the Company's web site: www.phillyshipyard.com. This online resource includes PHLY's quarterly and annual reports, prospectuses, articles of association, financial calendar and its Investor Relations and Corporate Governance policies, along with other information.

Shareholders can contact the Company at communications@phillyshipyard.com.

QUARTERLY AND ANNUAL REPORTS

Philly Shipyard's quarterly and annual reports are published electronically on the Company's website at the same time as they are released via the Oslo Stock Exchange distribution service, www.newsweb.no (ticker: PHLY).

NOMINATION COMMITTEE

PHLY's nomination committee has the following members: Ingebret G. Hisdal (Chairperson) and Charlotte Håkonsen. Hilde K.

TWENTY LARGEST SHAREHOLDERS

(as of 31 December 2023)

Shareholders	Number of shares held	Ownership (in %)
Aker Capital AS	7 237 631	57.6%
J.P. Morgan Securities LLC	1 207 717	9.6%
Philly Shipyard ASA	466 865	3.7%
Nordnet Livsforsikring AS	165 555	1.3%
Kristian Newil Kemp	127 000	1.0%
Interactive Brokers LLC	113 672	0.9%
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Citibank	100 781	0.8%
Nordnet Bank AB	81 217	0.6%
Kristian Falnes AS	75 000	0.6%
Kim Skailand	68 000	0.5%
Peter Myhre	58 800	0.5%
Trading Partner AS	52 734	0.4%
Filip Kristiansen	49 174	0.4%
Jan Reidar Jørgensen	49 000	0.4%
Thomas Fuglestad	44 612	0.4%
Citibank	39 836	0.3%
Ronny Kandal	36 023	0.3%
Ottar Gisti Kristiansen	35 500	0.3%
Total, 20 largest shareholders	**10 229 062**	**81.3%**
Other shareholders	2 345 704	18.7%
Total shareholders	**12 574 766**	**100.0%**

OWNERSHIP STRUCTURE BY NUMBER OF SHARES HELD

(as of 31 December 2023)

Shares owned	Number of shareholders	% of share capital
1 - 100	445	0.1%
101 - 1 000	495	1.7%
1 001 - 10 000	302	7.5%
10 001 - 100 000	71	14.0%
100 001 - 500 000	7	9.5%
Over 500 000	2	67.2%
Total	1 322	100.0%

Ramsdal serves as deputy member to the committee. Shareholders who wish to contact PHLY's nomination committee may do so using the following address:

Nomination Committee of
Philly Shipyard ASA
Vika Atrium
Munkedamsveien 45
NO-0250 Oslo, Norway

ANNUAL GENERAL MEETING

Philly Shipyard ASA's annual general meeting is normally held in March or April. Written notification is sent to all shareholders individually or to shareholders' nominees. To vote at general meetings, shareholders (or their duly authorized representatives) must either be present or vote by proxy.

Annual general meeting notices and attendance registration forms are sent to shareholders by the deadlines laid down in the Norwegian Public Limited Liability Companies Act and made available on the company's website and through the Oslo Stock Exchange distribution service. The annual report and other enclosures to the meeting notice are made available solely via the company's website and the Oslo Stock Exchange distribution service. Shareholders who wish to receive the enclosures by post must contact the company.

2023 SHARE DATA

PHLY's total market capitalization as of 31 December 2023 was NOK 659 million. During 2023, a total of 3,201,976 Philly Shipyard ASA shares traded, corresponding to 0.255 times PHLY's freely tradable stock. The shares traded on 251 trading days in 2023.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS

(as of 31 December 2023)

Shareholders	Number of shares held	Ownership (in %)
Norwegian shareholders	10 824 952	86.1%
Non-Norwegian shareholders	1 749 814	13.9%
Total	12 574 766	100.0%

SHARE PRICE DEVELOPMENT IN 2023

(2023 share data)

Highest traded (in NOK)	59.8
Lowest traded (in NOK)	27.0
Share price as of 31 December (in NOK)	52.4
Shares issued as of 31 December	12 574 766
Own (treasury) shares as of 31 December	(466 865)
Shares issued and outstanding as of 31 December	12 107 901
Market capitalization as of 31 December (in NOK millions)	659
Proposed share dividend (NOK per share)	-

SHARE PRICE DEVELOPMENT

(2021 - 2023)
NOK / share

Corporate Governance

Philly Shipyard ASA (PHLY) aims to create maximum value for its shareholders over time. Good corporate governance will help to reduce risk and ensure sustainable value creation.

The Board of Directors (the "Board") of PHLY has reviewed and updated PHLY's principles for corporate governance. The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the "Code of Practice"), the principles set out in the continuing obligations of companies listed on the Oslo Stock Exchange, and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice is available at www.nues.no and the continuing obligations of stock exchange listed companies may be found at www.euronext.com/en/markets/oslo.* The principles also apply to PHLY's subsidiaries when relevant. The following presents the current practice of PHLY regarding each of the recommendations contained in the Code of Practice. Any deviations from the recommendations are explained under the item in question. In addition to the Code of Practice, the Norwegian Accounting Act section 3-3b stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. This report is integrated in this corporate governance statement.

Purpose

PHLY's Corporate Governance principles ensure an appropriate division of roles and responsibilities among PHLY's owners, its Board, and its executive management, and that business activities are subject to satisfactory control. The appropriate division of roles and satisfactory control contribute to the greatest possible value creation over time, to the benefit of owners and other stakeholders.

Values and ethical guidelines

The Board has adopted corporate values and ethical guidelines. The Company's corporate values are presented on page 8 of this annual report. PHLY has a code of conduct which is approved by the Board, and it constitutes a framework for managing compliance and integrity risks. It describes PHLY's ethical commitments, requirements and expectations for personal conduct and business practice. PHLY's code of conduct outlines clear principles and rules in key compliance and integrity areas such as anti-corruption and anti-bribery; facilitation payments; conflicts of interest; gifts and hospitality; human and labor rights; fair competition; anti-money laundering; and trade compliance. The code of conduct applies to all employees (including temporary personnel), officers and directors in PHLY and its subsidiaries. PHLY's code of conduct is available on PHLY's home page www. phillyshipyard.com, under the heading "Corporate Governance."

PHLY has not adopted specific guidelines on equality and diversity due to its lack of employees. The Company is focused however on carrying on its business in line with the principles of equality and diversity with respect to the composition of its management and Board, and its Board currently comprise of four members where two are female.

Business

PHLY's business purpose clause in the articles of association is as follows:

"The Company's business is to own and manage industry and other related business related to building of ships, capital management and other operations for the group, including participating in or acquiring other business."

The function of the business purpose clause is to ensure that shareholders have control of the business and its risk profile, without limiting the Board or management's ability to carry out strategic and financially viable decisions within the defined purpose. PHLY's goals and main strategies and risks for its business activities are presented in the Board's report. PHLY's vision is for Philly Shipyard "To be – and be recognized as – a leading shipyard in America that delivers on its commitments, every time" and its supporting strategies for 2024 are executing its existing order backlog, securing new orders for major shipbuilding programs, and pursuing a mix of commercial and government work. When carrying out this work, the Board of Directors and management will take into account financial, social, and environmental considerations.

EQUITY AND DIVIDENDS

Equity

The PHLY group's equity as of 31 December 2023 amounted to USD 5.9 million, which corresponds to an equity ratio (total equity divided by total assets) of approximately 2%. PHLY regards its current equity structure as appropriate and adapted to its objectives, strategy and risk profile. PHLY anticipates that its equity level will increase over time as the Company returns to sustained profitability.

Dividends

PHLY's dividend policy is included in the Shares and Shareholder Matters section on page 72. As stated in that policy:

"The Company's objective is to provide its shareholders with a competitive return on its shares over time based on the Company's earnings. The Company's focus is on long-term profitability, and its current priority is to strengthen

* The Issuer Rules / Regulations / Oslo Børs / Home - Oslo Børs (www.euronext.com/en/markets/oslo)

its balance sheet. Accordingly, no dividends are contemplated until further notice."

At this time, the Board does not foresee payment of shareholder distributions, including dividends and share buybacks, until the Company has returned to sustained profitability.

Board authorizations

It is the intention that the Board's proposals for future Board authorizations to issue shares and to undertake share buy backs are to be limited to defined purposes and to be valid only until the next annual general meeting.

The Board has the following authorizations:

- to facilitate the potential payment of dividends in accordance with PHLY's dividend policy, an authorization to pay dividends based on PHLY's annual accounts for 2022;
- an authorization to increase the share capital by up to NOK 12,574,766, which can only be used to raise equity capital for new shipbuilding projects or other future investments within the Company's scope of operations;
- an authorization to acquire own shares with a total nominal value of NOK 12,574,766, which can only be used for the purpose of utilizing PHLY's shares as transaction currency in acquisitions, mergers, de-mergers or other transactions; and
- an authorization to acquire own shares with a total nominal value of NOK 12,574,766, which can only be used for the purpose of investment or subsequent sale or deletion of such shares.

All of these Board authorizations are valid up to the annual general meeting in 2024.

The Board currently has no other authorizations to issue shares or undertake share buybacks. The Board will propose to the annual general meeting in 2024 that the Board is granted an authorization for payment of dividends, an authorization to increase the share capital and two authorizations to acquire own shares similar to the authorizations described above.

Equal treatment of shareholders

PHLY has a single class of shares, and all shares carry the same rights in PHLY. Equal treatment of all shareholders is crucial. If existing shareholders' pre-emptive rights are proposed waived upon an increase in share capital, the Board will justify the waiver. The Board will also publicly disclose such justification in a stock exchange announcement issued in connection with such increase in share capital. Transactions in own (treasury) shares are executed on the Oslo Stock Exchange or by other means at the listed price.

Shares and negotiability

There are no limitations on any party's ability to own, trade or vote for shares in PHLY. No restrictions on transferability are found in PHLY's articles of association.

General meetings

The Board encourages shareholders to participate in general meetings. It is PHLY's priority to hold the annual general meeting as early as possible after the year-end. Notices of general meetings are sent physically by post and comprehensive supporting information, including the recommendations of the nomination committee, are made available for the shareholders on PHLY's home page www.phillyshipyard.com, in each case not later than 21 days prior to the annual general meeting. The Board seeks to ensure that the resolutions and supporting information are sufficiently detailed and comprehensive to enable the shareholders to form a view on all matters to be considered at the meeting. The notice materials include a thorough explanation of all procedures for registration, voting and attendance. In addition, information on how to propose a resolution to the items on the agenda at the annual general meeting will be included in the notice. If a general meeting is held as a physical meeting, the shareholders will also be given the opportunity to participate virtually unless the Board of Directors finds there is sufficient cause for it to refuse to allow this. The proxy form includes instructions for representation at the meeting through a proxy or by virtual participation and allows shareholders to nominate a person who will be available to vote on behalf of the shareholders. In addition, to the extent possible, the proxy form includes separate voting instructions to be given for each matter to be considered by the meeting. The shareholders may also vote electronically in advance of the general meeting.

Pursuant to PHLY's articles of association, the Chairman of the Board (the "Chairman"), or any other person appointed by the Chairman, chairs the general meetings. Although the Code of Practice recommends an independent chair for annual general meetings, it is the view of PHLY that the procedure followed by PHLY provides efficient and well prepared annual general meetings and is in the interests of the shareholders. The shareholders are invited to make a joint voting on the composition of the Board as proposed by the nomination committee and not on each Board member separately. Hence, PHLY deviates from the Code of Practice in this regard as the nomination committee emphasizes that the Board's composition shall reflect a variety of experience, knowledge and qualifications.

To the extent possible, the CEO/general manager, the chairperson of the nomination committee and the auditor attend annual general meetings.

Minutes of general meetings are published as soon as practically possible on the Oslo Stock Exchange, www.newsweb.no (ticker: PHLY) and on PHLY's home page www.phillyshipyard.com, under the heading "Company News".

NOMINATION COMMITTEE

PHLY has a nomination committee, as set forth in section 7 of PHLY's articles of associ-

ation. Pursuant to the articles of association, the nomination committee is to comprise no fewer than two members. Each member is normally elected for a two-year period. The composition of the nomination committee reflects the interests of the shareholders, and its members are independent from the Board and executive management. The members and chairperson of the nomination committee are elected by PHLY's annual general meeting, which also approves the remuneration payable to committee members. The general meeting may also decide on guidelines for the nomination committee.

Pursuant to PHLY's articles of association, the nomination committee recommends candidates for members of the Board. The nomination committee also makes recommendations as to remuneration of the members of the Board and the nomination committee. The nomination committee will justify its recommendation and such justification will address the criteria specified in section 8 of the Code of Practice on the composition of the Board.

The nomination committee comprises the following members:

– Ingebret G. Hisdal, Chairperson (2022-2024)
– Charlotte Håkonsen (2022-2024)

Neither of the members of the nomination committee is a member of the Board. Neither the CEO/general manager nor any other senior executive is a member of the nomination committee. Hilde K. Ramsdal (2023-2025) serves as deputy member to the committee.

The general meeting has stipulated guidelines for the duties of the nomination committee.

PHLY provides the shareholders with information on how to submit proposals to the nomination committee for candidates for election to the Board on PHLY's home page www.phillyshipyard.com.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to section 4 of PHLY's articles of association, the Board comprises between three and seven members. The Board is currently comprised of a total of four members.

PHLY's shareholders elect the Chairman at the annual general meeting. The Board may elect its own Deputy Board Chairman. Board members are elected for a period of two years.

The composition of the Board is designed to ensure that it can operate independently of any special interests and function effectively as a collegiate body. A majority of the shareholder-elected Board members are independent of PHLY's executive management and its significant business associates. The Board does not include any executive personnel. Further, two of the four shareholder-elected Board members, Elin Karfjell and Susan Hayman, are independent of PHLY's main shareholder, Aker ASA. Kristian Røkke, the Chairman, is Chief Executive Officer of Aker Horizons ASA. Jan Petter Hagen, Board member, is Managing Partner of Converto AS.

The current composition of the Board, as well as the Board members' status on independence and expertise, capabilities, and experience, are presented on pages 80-81 of this annual report. The shareholder-elected Board members represent a combination of expertise, capabilities, and experience from various businesses and industries.

The Board members' shareholdings are presented in note 18 to the consolidated accounts. PHLY encourages the Board members to invest in PHLY's shares.

Two of the four shareholder-elected Board members are up for election in 2024. PHLY will provide the relevant information regarding election of Board members in accordance with the Code of Practice guidelines in advance of the annual general meeting.

THE WORK OF THE BOARD OF DIRECTORS

The Board of PHLY annually adopts a plan for its work, emphasizing the goals, strategies, and risk profile of the Company's business activities. The plan also recognizes the Company's corporate social responsibility, and how the Board shall handle agreements with related parties. If there are material transactions between the Company and a shareholder, Board member, member of executive management, or a party closely related to any of the aforementioned, the Board shall ensure that independent valuations are available.

See additional information on transactions and agreements with related parties in note 21 to the consolidated accounts. As of 31 December 2023, 57.6% of the shares in PHLY are owned by Aker Capital AS, a wholly-owned subsidiary of Aker ASA. For further details on the relationship between Philly Shipyard and Aker ASA, please see note 21 to the consolidated accounts.

Also, the Board has adopted instructions that regulate areas of responsibility, tasks, and division of roles of the Board, the Chairman, and the CEO/general manager. These instructions feature rules governing Board schedules, rules for notice and chairing of Board meetings, decision-making rules, the CEO's/general manager's duty and right to disclose information to the Board, professional secrecy, impartiality, and other issues.

In order to ensure a more independent consideration of matters of a material character in which the Chairman is, or has been, personally involved, the Board's consideration of such matters are chaired by the Deputy Board Chairman, if there is one serving at the time, or some other member of the Board in the absence of a Deputy Board Chairman.

PHLY has an audit committee consisting of two members elected by and among the Board's members, Elin Karfjell (Chairperson) and Jan Petter Hagen. Both members are

independent from operations of the Company. One member, Jan Petter Hagen, is linked to PHLY's main shareholder, Aker ASA.

PHLY does not have any other active Board committees at this time. In particular, PHLY does not have a remuneration committee because all members of the Board are independent of PHLY's executive personnel.

PHLY has prepared guidelines designed to ensure that members of the Board and executive management notify the Board of any direct or indirect stake they may have in agreements entered into by the Company. The Board evaluates its own performance and expertise once a year.

Risk management and internal control

The Board is to ensure that the Company maintains solid in-house control practices and protocols and appropriate risk management systems tailored to the Company's business activities. These practices and systems encompass the Company's guidelines for how it integrates considerations related to stakeholders into its creation of value. PHLY's policy regarding sustainability and environmental, social, and governance (ESG) is set forth on pages 23-26 of this annual report. The Board annually reviews the Company's most important risk areas and internal control systems and procedures, and these risk areas are mentioned in the Board's report. Through the use of a risk matrix and log, the Board also monitors the key risks related to the Company's business goals and assesses those risks, taking into account mitigating actions, on a quarterly basis. The issue is further described in notes 1 and 17 to the consolidated accounts.

Audit committee

The audit committee has reviewed the Company's financial reporting systems, systems for internal control and risk management and had dialogue with PHLY's auditor. The audit committee has also considered the auditor's independence.

PHLY's financial policies ensure follow-up of financial risk. Key targets are identified by the Board and management to ensure timely follow-up of currency exposure, interest rate exposure and compliance with covenants.

PHLY has prepared an authorization matrix and approval procedures for costs included in PHLY's governing documents.

FINANCIAL STATEMENT CLOSE PROCESS

PHLY has implemented Aker ASA's accounting and reporting guidelines which contains requirements and procedures for the preparation of both quarterly and annual reporting. The reporting is done quarterly through PHLY's reporting and consolidation system. Consolidation and control over the financial statement close process is the CFO's responsibility. Financial results and cash development are analyzed and compared to the budget by the CEO/general manager and CFO and reported to the Board monthly.

REMUNERATION OF THE BOARD OF DIRECTORS

Board remuneration reflects the Board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on PHLY's financial performance and PHLY does not grant share options to members of its Board. Board members and companies with whom they are associated are not to take on special tasks for the Company beyond their Board appointments unless such assignments are disclosed to the full Board and the remuneration for such additional duties is approved by the Board.

Additional information on remuneration paid to Board members for 2023 is presented in note 18 to the consolidated accounts.

REMUNERATION OF EXECUTIVE MANAGEMENT

The Board has adopted guidelines for remuneration of executive management in accordance with section 6-16a of the Norwegian Public Limited Company Act which was originally presented to the annual general meeting in 2021 and approved by the shareholders for a period of four years. The guidelines for remuneration of executive management will be presented to the annual general meeting and be subject to the shareholders' approval every fourth year, at a minimum. The guidelines currently approved by the shareholders are available on the Company's website. At the annual general meeting in 2023, the shareholders approved that the guidelines were changed to facilitate remuneration in the form of shares in PHLY. Salary and other remuneration of the CEO/general manager of PHLY are determined in a Board meeting. The basis of remuneration of executive management has been developed in order to create a system based on performance and retention.

The system of reward is designed to contribute to the achievement of good financial results and increase shareholder value.

PHLY does not have stock option plans or other such share award programs for employees, but the President and CEO and certain members of the senior management team can be awarded shares under the AVP program as further described in note 18 of the consolidated accounts. Further information on remuneration for 2023 for members of the Company's executive management is presented in note 18 to the consolidated accounts. PHLY's guidelines for remuneration to executive management are discussed starting on page 54 of this annual report and will be presented to the shareholders at the annual general meeting. The maximum size of any payment under the existing performance-related remuneration program to any executive is linked to the size of the executive's base salary.

The Board will prepare and present a report on remuneration of executive management every year as part of the annual general meeting, in accordance with the Norwegian Public Limited Company Act section 6-16b. This report is subject to the shareholders' advisory vote only.

INFORMATION AND COMMUNICATIONS

PHLY's reporting of financial and other information is based on openness and on equal treatment of shareholders, the financial community, and other interested parties.

The long-term purpose of PHLY's investor relations activities is to ensure PHLY's access to capital at competitive terms and to ensure shareholders' correct pricing of shares. These goals are to be accomplished through correct and timely distribution of information that can affect PHLY's share price. PHLY is also to comply with current rules and market practices, including the requirement of equal treatment.

All stock exchange notifications and press releases are made available on PHLY's home page www.phillyshipyard.com; stock exchange notices are also available from www.newsweb.oslobors.no. All information that is distributed to shareholders is simultaneously published on PHLY's home page.

PHLY's financial calendar is found on the inside front cover of this annual report and its home page www.phillyshipyard.com.

PHLY's investor relations staff is responsible for maintaining regular contact with PHLY's shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed about PHLY's investor relations activities. For more information regarding PHLY's guidelines for reporting of financial and other information, see pages 72-74.

TAKEOVERS

PHLY has not produced special principles for how it will act in the event of a takeover bid. However, if a takeover bid occurred the Board would follow the overriding principle of equal treatment for all shareholders. Unless the Board has particular reasons for so doing, the Board will not take steps to prevent or obstruct a takeover bid for PHLY's business or shares, nor use share issue authorizations or other measures to hinder the progress of the bid, without such actions being approved by a general meeting after the takeover offer has become public knowledge.

PHLY will not enter into any agreement with a bidder that acts to limit PHLY's ability to arrange other bids for PHLY's business or shares unless it is self-evident that such an agreement is in the common interest of PHLY and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between PHLY and a bidder that are material to the market's evaluation of the bid will be announced to the public no later than at the same time as the disclosure that the bid has been made is published.

Upon the issuance of an offer for PHLY's shares, the Board will make a statement to the shareholders that provides an assessment of the bid, the Board's recommendations and reasons for these recommendations. If the Board cannot recommend to the shareholders whether they should or should not accept the bid, the Board will explain the reasons for this. The Board's statement on the offer will make it clear whether the views expressed are unanimous, and if this is not the case, it will explain the basis on which specific members of the Board have excluded themselves from the Board's statement.

For each instance, an assessment will be made as to the necessity of bringing in independent expertise and obtaining a third party valuation. If a third party valuation is obtained, such valuation will include an explanation, and the Board will aim at recording such valuation in its statement. It may be necessary to obtain a valuation from an independent expert where a competing bid is made and the bidder either is the main shareholder or has a connection to the Board members or executive personnel.

Transactions that have the effect of sale of PHLY or a major component of it are to be decided on by shareholders at a general meeting.

AUDITOR

The auditor makes an annual presentation to the Board of a plan for the auditing work for the year. Further, the auditor has provided the Board with a written confirmation that the requirement of independence is met.

The auditor participates in the Board meeting that deals with the annual accounts, and the auditor has reviewed PHLY's internal control with the Board. At these meetings, the auditor reviews any material changes to PHLY's accounting principles, comments on any material estimated accounting figures and reports all matters on which there have been disagreement between the auditor and PHLY's executive personnel. Once a year a meeting is held between the auditor and the Board, at which no representatives of executive management are present. In addition to the presentations to the full Board, the auditor is present at all quarterly audit committee meetings which occur throughout the year and presents both its preliminary and final audit findings to the committee during such meetings.

Presentation of the Board of Directors

KRISTIAN RØKKE
Board Chairman

Kristian Røkke (b. 1983) is Chief Executive Officer of Aker Horizons AS, an investment company dedicated to creating value and reducing emissions from renewable energy and decarbonization technologies. Mr. Røkke has previously been Chief Investment Officer of Aker ASA and has extensive experience from operations and M&A. Mr. Røkke is Chair of the board of Mainstream Renewable Power and Aker Carbon Capture AS, and a Director of TRG Holding AS. Mr. Røkke has an MBA from The Wharton School, University of Pennsylvania. Mr. Røkke holds both Norwegian and American citizenships. Mr. Røkke owns no shares in the company and has no stock options. Mr. Røkke has been elected for the period 2022-2024.

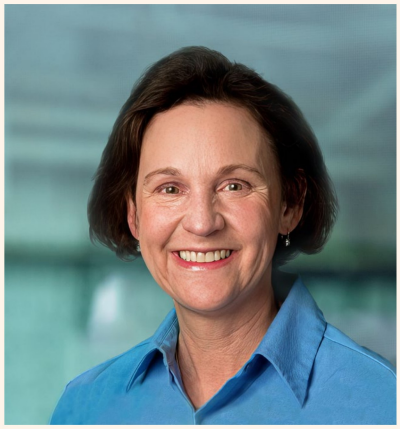
JAN PETTER HAGEN
Board Member

Jan Petter Hagen (b. 1965) is Managing Partner in the advisory firm Converto AS. Before joining Converto in 2017, Mr. Hagen held the position as Director of Business Transformation in Rolls-Royce Marine. Mr. Hagen also served as CFO in Stokke, a high-end, global, well-recognized brand in the children product segment from 2009-2014. Mr. Hagen has previously held a variety of executive positions in Aker Yards, Offshore & Specialized Vessels, including Senior Vice President Finance and Senior Vice President Shipbuilding. Mr. Hagen also has experience from the oil and gas industry. Mr. Hagen's current board positions include inter alia Brattvaag Electro and Peil. Mr. Hagen holds a MSc in Energy Economics and Management and a Bachelor of Science in Business Administration from Norwegian Business School BI in Oslo. Mr. Hagen owns no shares in the company and has no stock options. Mr. Hagen has been elected for the period 2022-2024.

ELIN KARFJELL
Board Member

Elin Karfjell (b. 1965) is the EVP Property Management and Development of Statsbygg, a Norwegian government agency that manages central parts of the real estate portfolio of the government of Norway, where she previously held the position of CFO. Prior to that, Ms. Karfjell was CEO of Atelika AS and Fabi Group and Director of Finance and Administration of Atea AS. Ms. Karfjell is a former partner at Ernst & Young AS. Ms. Karfjell joined Ernst & Young AS in 2002. Prior to this, Ms. Karfjell held various positions including partner at Arthur Andersen. At Ernst & Young/Arthur Andersen, Ms. Karfjell held various leading positions, both within advisory and audit, and Ms. Karfjell has experience from a broad specter of industries. Ms. Karfjell is also a Board member of North Energy ASA, DNO ASA and Contesto AS. Previously, Ms. Karfjell was a Board member of Hent AS, Sevan Drilling Ltd., Norse Energy Corporation ASA, Aktiv Kapital ASA and Aker Floating Production ASA. Ms. Karfjell is a state authorized public accountant. Ms. Karfjell has a Bachelor of Science in Accounting from Økonomisk College (Oslo Met) and a higher degree in accounting and auditing from the Norwegian School of Economics and Business Administration (NHH). Ms. Karfjell is a Norwegian citizen. Ms. Karfjell holds 1,200 shares in the company and has no stock options. Ms. Karfjell has been elected for the period 2023-2025. Ms. Karfjell serves as an independent director.

Presentation of the Management Team



SUSAN HAYMAN
Board Member

Susan Hayman (b. 1958) has held senior positions in both domestic and international maritime transportation companies including Foss Maritime Company, APL Ltd. and Matson Navigation. Ms. Hayman is a graduate of the United States Merchant Marine Academy and received an MBA from Harvard Business School. Ms. Hayman has served on several boards and committees, including: American Petroleum Institute (API) Marine Committee, Ship Operations Cooperative Program (SOCP), Chamber of Shipping of America (CSA), American Waterways Operators (AWO), Maritime Transportation System Advisory Committee (MTSNAC), and the U.S. Merchant Marine Academy Board of Visitors. Ms. Hayman is a U.S. citizen. Ms. Hayman owns no shares in the company and has no stock options. Ms. Hayman has been elected for the period 2023-2025. Ms. Hayman serves as an independent director.

STEINAR NERBØVIK
President and CEO

Steinar Nerbøvik (b. 1961) was appointed President and Chief Executive Officer of Philly Shipyard ASA and Philly Shipyard, Inc. in November 2014 after serving as Managing Director since April 2014. Previously, Mr. Nerbøvik served as SVP Operations from October 2013. Prior to that, Mr. Nerbøvik served as SVP Yard Director for Norwegian Shipyard Vard Langsten (former Aker Yards and STX OSV Langsten), a leading provider of sophisticated offshore support vessels. Mr. Nerbøvik first joined Philly Shipyard in 2003 as Vice President Projects. Mr. Nerbøvik has held other management positions as combined Design Manager and Project Manager at Aker Langsten from 1991-2003. Mr. Nerbøvik holds a Master of Science in Ship Naval Engineering from the Norwegian Institute of Technology (NTNU) in Trondheim, Norway. Mr. Nerbøvik lives in Wilmington, DE, USA. Mr. Nerbøvik is a U.S. and Norwegian citizen. As of 1 February 2024, Mr. Nerbøvik holds 1,000 shares in the company and has no stock options.

JEFFREY THEISEN
Chief Financial Officer

Jeffrey Theisen (b. 1968) rejoined Philly Shipyard, Inc. as Chief Financial Officer in September 2020. Mr. Theisen previously served as CFO from 2007-2015. Mr. Theisen has over 30 years of experience in financial and strategic planning, organizational leadership, growth and expansion strategies, debt and equity financing, investor and banking relations, and budgeting and cost accounting. Mr. Theisen has held finance roles with Arthur Andersen, The Regulus Group, Philly Shipyard and most recently, People 2.0. Mr. Theisen holds a Bachelor of Science in Accounting from Villanova University and is a certified public accountant in the state of Pennsylvania. Mr. Theisen lives in Blue Bell, PA, USA. Mr. Theisen is a U.S. citizen. As of 1 February 2024, Mr. Theisen holds zero shares in the company and has no stock options.

DEAN GRABELLE

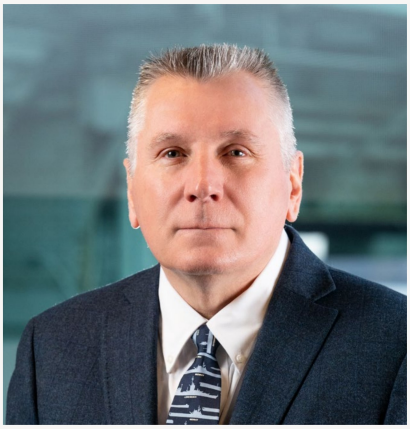
Senior Vice President and General Counsel

Dean Grabelle (b. 1970) was appointed Senior Vice President and General Counsel of Philly Shipyard, Inc. (PSI) in November 2016, after serving as PSI's General Counsel since May 2008. Prior to joining the shipyard, Mr. Grabelle was employed with the law firm Faegre Drinker Biddle & Reath LLP in Philadelphia, PA, USA where he established a legal career in the Business and Finance Department spanning 12 years. Past experience includes mergers and acquisitions, business counseling, lending, private equity and corporate finance. Mr. Grabelle graduated from Duke University with a Bachelor of Arts in Economics and Public Policy Studies. Mr. Grabelle also holds a Juris Doctor from the University of Pennsylvania Carey Law School. Mr. Grabelle lives in Voorhees, NJ, USA. Mr. Grabelle is a U.S. citizen. As of 1 February 2024, Mr. Grabelle holds zero shares in the company and has no stock options.

THOMAS GRUNWALD

Senior Vice President

Thomas Grunwald (b. 1978) joined Philly Shipyard, Inc. in the role of Senior Consultant in May 2019 before being promoted to Commercial Director and then again to Vice President in 2021. At the end of 2023, Mr. Grunwald was elevated to his current position of Senior Vice President in which he is responsible for sales and business development for commercial ship newbuilding and ship repairs, as well as shipyard capital investments. Mr. Grunwald previously held the position of President and Board Member at R&M Ship Technologies USA, Inc. which included oversight of the company's U.S. ship newbuilding and repair activities. Mr. Grunwald holds a Diploma in Business Administration with a specialization in International Business Administration from the Catholic University of Eichstaett-Ingolstadt, Germany. Mr. Grunwald lives in Media, PA, USA. Mr. Grunwald is a German citizen. As of 1 February 2024, Mr. Grunwald holds zero shares in the company and has no stock options.



ROBERT FITZPATRICK

Vice President Production

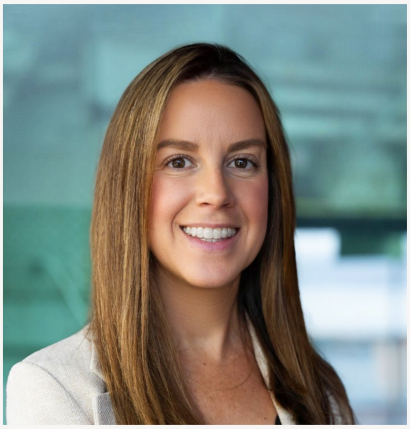
Robert Fitzpatrick (b. 1964) joined Philly Shipyard, Inc. in 2001 and had held numerous key positions including Prefabrication Manager and Senior Production Manager before being promoted to Vice President Production in January 2007. Prior to coming to the shipyard, Mr. Fitzpatrick amassed 20 years of experience in industrial manufacturing including 12 years as a production manager responsible for the fabrication of naval circuit breakers and switchgear at L-3 Communications. Mr. Fitzpatrick holds a Bachelor of Science in Mechanical Engineering from Spring Garden College in Philadelphia, PA, USA. Mr. Fitzpatrick lives in Burlington, NJ, USA. Mr. Fitzpatrick is a U.S. citizen. As of 1 February 2024, Mr. Fitzpatrick holds zero shares in the company and has no stock options.

MICHAEL GIANTOMASO
Vice President Human Resources

Michael Giantomaso (b. 1966) joined Philly Shipyard, Inc. as Human Resources Manager in May 1998. Mr. Giantomaso was promoted to Vice President Human Resources in August 2001. Mr. Giantomaso has more than 30 years of human resources experience in the manufacturing and health care fields. Mr. Giantomaso holds a Bachelor of Arts in Business Administration and Human Resources from Temple University. Mr. Giantomaso lives in Huntingdon Valley, PA, USA. Mr. Giantomaso is a U.S. citizen. As of 1 February 2024, Mr. Giantomaso holds zero shares in the company and has no stock options.

STEVEN MATZ
Vice President Engineering and Planning

Steven Matz (b. 1966) joined Philly Shipyard, Inc. in 1998 and held key positions in project planning and engineering until his departure in November 2004. Mr. Matz returned to Philly Shipyard in January 2013 and was promoted to Vice President Engineering and Planning in February 2022. Mr. Matz has previously performed project engineering and management roles at the Naval Surface Warfare Center and Lockheed Martin. Mr. Matz holds a Bachelor of Science in Naval Architecture and Marine Engineering from Webb Institute in Glen Cove, NY, USA and a Master of Science in Project Management from Stevens Institute of Technology in Hoboken, NJ, USA. Mr. Matz lives in Wilmington, DE, USA. Mr. Matz is a U.S. citizen. As of 1 February 2024, Mr. Matz holds zero shares in the company and has no stock options.



KELLY WHITAKER
Vice President Sustainability and Communications

Kelly Whitaker (b. 1982) was appointed Vice President of Sustainability and Communications of Philly Shipyard, Inc. in September 2023. Ms. Whitaker first joined Philly Shipyard in 2008 as a Communications Specialist and served in the communications function with growing responsibility until 2016, when she was promoted to HR and Communications Manager, followed by HR and Communications Director in 2020. Ms. Whitaker has 18 years of experience in corporate communications and holds a Bachelor of Arts in Communications from Rowan University in Glassboro, NJ. Ms. Whitaker is a U.S. citizen and lives in Moorestown, NJ, USA. As of 1 February 2024, Ms. Whitaker holds zero shares in the company and has no stock options.

HARDIK PATEL

Vice President Procurement

Hardik Patel (b. 1984) was appointed Vice President of Procurement of Philly Shipyard, Inc. (PSI) in December 2023. Mr. Patel first joined PSI in 2013 as Quality Engineer and served in a variety of roles, including Logistics Coordinator, Senior Buyer, Purchasing Manager and Procurement Manager, before being promoted to Procurement Director in April 2020. Prior to joining PSI, Mr. Patel worked in Design, Planning and Supply Chain function in Pipavav Defense and Offshore Engineering Co. Ltd, in India. Mr. Patel has more than 15 years shipbuilding experience in various functions. Mr. Patel holds a Master in Business Administration in Marketing Management from Sardar Patel University and Bachelor of Production Engineering from Bhavnagar University in India. Mr. Patel is a U.S. citizen and lives in Phoenixville, PA, USA. As of 1 February 2024, Mr. Patel holds zero shares in the company and has no stock options.

KRISTINE DAMLI

Vice President

Kristine Damli (b. 1990) is Vice President of Philly Shipyard ASA. In addition to this responsibility, Ms. Damli serves as Senior Controller for Aker ASA. Prior to joining Aker ASA in 2022, Ms. Damli worked for six years in PricewaterhouseCoopers. Ms. Damli holds an MSc in Economics and Business Administration and an MSc in Accounting and Auditing from The Norwegian School of Economics (NHH). Ms. Damli lives in Oslo, Norway. Ms. Damli is a Norwegian citizen. As of 1 February 2024, Ms. Damli holds zero shares in the company and has no stock options.

DISCLAIMER

This annual report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Philly Shipyard ASA and its subsidiaries and affiliates (the "Philly Shipyard Group") lines of business. These expectations, estimates, and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates," "anticipates," "intends," or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic, market and political conditions in the geographic areas and industries that are or will be major markets for the Philly Shipyard Group's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates, and such other factors as may be discussed from time to time. Although Philly Shipyard ASA believes that its expectations and the information in this annual report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this annual report. Neither Philly Shipyard ASA nor any other company within the Philly Shipyard Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the annual report, and neither Philly Shipyard ASA, any other company within the Philly Shipyard Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the annual report.

Philly Shipyard ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the annual report, other than what is required by law.

The Philly Shipyard Group consists of various legally independent entities, constituting their own separate identities. Philly Shipyard is used as the common brand or trademark for most of these entities. In this annual report we may sometimes use the "Company," "Philly Shipyard," "Group," "we," or "us" when we refer to Philly Shipyard companies in general or where no useful purpose is served by identifying any particular Philly Shipyard company.

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Philly Shipyard ASA
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