Annual Report

2022

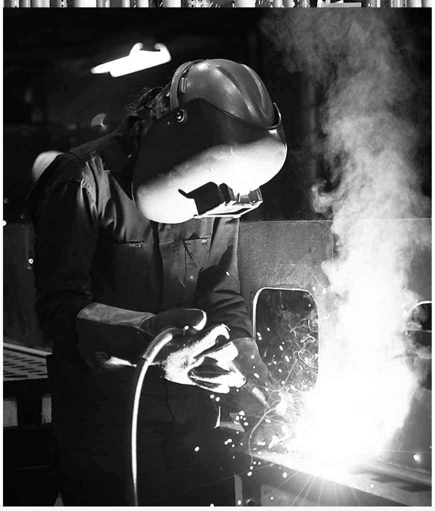
Philly Shipyard

Contents

FINANCIAL CALENDAR 2023

2022 annual report	27 March
Annual general meeting	19 April
Interim report Q1 2023	5 May
Interim report Q2 2023	14 July
Interim report Q3 2023	1 November

Dates are subject to change.



This is Philly Shipyard

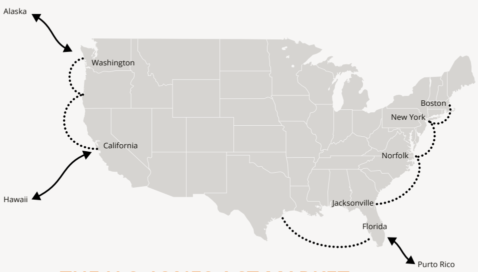
Philly Shipyard is a leading U.S. shipbuilder that is presently pursuing a mix of commercial and government work. It possesses a state-of-the-art shipbuilding facility and has earned a reputation as a preferred provider of ocean-going merchant vessels with a track record of delivering quality ships, 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 2022.

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 30 quality newbuild vessels (6 containerships, 22 product tankers, and 2 Aframax tankers)
- Skilled workforce consisting of direct and contracted employees with a strong HSE mindset and culture of improvement
- Government resumé including 1 new build program, 5 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 - 2022

1997-2000

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

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

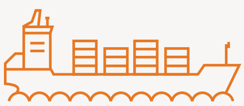
2012 - 2013

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

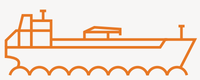
2013: Signed contracts with Matson for two CV3600 container vessels

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

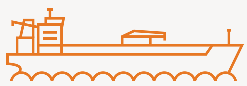
VESSELS BUILT AND REPAIRED BY PHILLY SHIPYARD FROM INCEPTION THROUGH TODAY



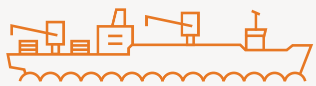
6 Container Vessels



22 Product Tankers



2 Aframax Tankers



3 Repair Vessels

2014 - 2016

Delivered two Aframax tankers to Sea-River 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: Re-branded as Philly Shipyard

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 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

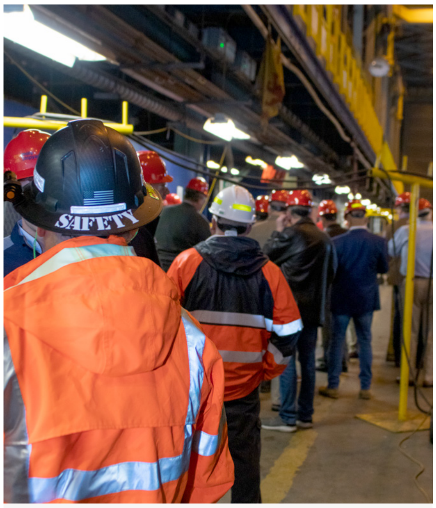
Honored with the 2022 Shipbuilders Council of America (SCA) "Excellence in Safety" award and surpassed 2 million consecutive work hours without a lost time incident (LTI)

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

2022 Key Events and Highlights

Reached full yard-wide building capacity with three ships under construction and record backlog in excess of USD 2.0 billion for nine ships – five NSMVs, one SRIV, and three containerships

Increased order book by approximately USD 1.3 billion, including contract awards for NSMV 5 from TOTE Services and three 3,600 TEU LNG-fueled containerships from Matson Navigation Company



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)

Marked the start of production for NSMV 3 in July with a steel cutting ceremony, including a MARAD medal ceremony for a local World War 2 merchant marine

Successfully launched NSMV 1 in September into the Delaware River to transfer it from the building dock to the outfitting dock

Celebrated the NSMV 2 keel laying in September with officials from MARAD, TOTE Services, and Massachusetts Maritime Academy

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
- Highly skilled workforce 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 2.1 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
- Awarded contract for three 3,600 TEU Aloha Class LNG-fueled containership vessels from Matson
- Series production with familiar ships offers operational benefits

3. Combination of commercial and government work

- Opportunities within specialty and high-end segments of the Jones Act market including emerging wind market
- Very promising outlook for high activity in the government sector in the next 5-10 years
- Completed four government design studies and currently working on one more
- Completed three government repair projects to utilize excess dock capacity and prove out the business rationale

4. Well positioned for future growth

- Ramped up workforce from 973 to 1,406 personnel in 2022
- Strong balance sheet with debt capacity and nearly USD 138 million in cash
- Solid positioning for future contract awards with promising prospects in both commercial and government markets
- NSMV variant opportunities include hospital ships and auxiliary vessels

PHILLY SHIPYARD ORDER BACKLOG

Customer	Vessel	Delivery	2023	2024	2025	2026	2027
MARAD/TOTE Services	NSMV 1	1st half 2023	■				
	NSMV 2	2nd half 2023	■				
	NSMV 3	1st half 2024		■			
	NSMV 4	1st half 2025			■		
	NSMV 5	2nd half 2025			■		
Great Lakes Dredge & Dock Company	SRIV 1	1st 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. These human rights include but are not limited to freedom of association, freedom from all forms of forced, coerced, or enslaved labor, child labor, and human trafficking, elimination of discrimination, and providing a safe and healthy work environment.

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

Philly Shipyard anticipates filing the first required statement on its website (www.phillyshipyard.com) by 30 June 2023, in compliance with the requirements of the Act. This statement will address the decent working conditions within the Shipyard's operations, our policies and practices, our supplier risk assessment process, 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 is planning a number of actions to ensure no form of modern slavery is occurring in or in relation to the Shipyard or its supply chain. These include: development of a risk-based approach for assessing and addressing the Shipyard's supply chain risks, including mapping the supplier base and conducting a risk assessment process that will review our supplier base with regard to country risk and sector risk related to Human Rights and Modern Slavery; clauses related to Human Rights and Modern Slavery in our standard Terms and Conditions with suppliers; development of a formal Supplier Code of Conduct; and communication with our suppliers via letter, email, and/or a new supplier portal on our website.

The Norwegian Transparency Act requires that covered companies respond to requests from the general 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

DEVELOPING OUR SUSTAINABILITY/ ESG PROGRAM

The Shipyard is committed to operating in a manner consistent with sustainability principles. Our CORE values describe our commitment to working safely, acting as environmental stewards, creating an inclusive work environment, and ensuring our communities succeed.

During 2022, we further deepened our efforts around sustainability by developing a formal sustainability and environmental, social, and governance (ESG) program. The CEO and Management Team participated in one-on-one discovery interviews with an external consultant, which identified a broad range of strengths, priorities, challenges, and opportunities for the Shipyard related to sustainability and ESG. The CEO and Management Team also participated in a Sustainability Workshop to refine the Sustainability/ESG strategic roadmap, and to confirm material topics and themes.

Peer benchmarking was conducted with the Shipyard's customers and peer companies (shipyards) to review their sustainability programs and disclosures. This discovery process identified key themes and focus areas to incorporate into the Shipyard's sustainability/ ESG strategy and plans.

SUSTAINABILITY/ESG STRATEGY

Launch Sustainability/ ESG program development	Peer Benchmarking	Stakeholder Analysis	UN SDG Mapping	Materiality Analysis	Define Sustainability/ESG Strategy and Roadmap	Build Sustainability/ESG program governance	Expand Sustainability/ESG reporting and disclosure	Establish KPI baselines for target setting
2022						2023		

STAKEHOLDERS

The Shipyard recognizes that stakeholders have increasingly high expectations for companies, including those in the marine transportation sector. To better understand stakeholder perspectives, we undertook a Stakeholder Analysis during 2022.

We identified 10 stakeholder groups, including our shareholders, workforce, suppliers and vendors, customers, and the communities in which we operate. We also identified the channels through which we engage them, and their primary topics of interest related to the Shipyard.

Stakeholders' interests regarding Philly Shipyard vary by stakeholder, with key topics of interest such as jobs, workplace environment, safety, quality, compliance, and communication with the public. All stakeholders are interested in greater transparency and disclosure from the Shipyard.

Based on our insights from the stakeholder analysis, we designed our Sustainability/ESG program with stakeholder perspectives in mind.

UN SDG MAPPING

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, was 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 was informed by guidance from the American Bureau of Shipping's "Guide for Sustainability Notations."

The Shipyard identified six (6) of the 17 UN SDGs as most directly relevant to the Shipyard's mission, value chain and stakeholders.

7 AFFORDABLE AND CLEAN ENERGY

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.

8 DECENT WORK AND ECONOMIC GROWTH

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.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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.

13 CLIMATE ACTION

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.

14 LIFE BELOW WATER

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 Board of Directors and CEO of Philly Shipyard have oversight of the sustainability/ESG program and review it regularly at Board meetings. The Board and CEO have assigned executive-level program sponsorship, leadership and strategy setting to James H. Miller, Senior Advisor and former CEO/Chairman of Philly Shipyard.

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.

Key priorities for the sustainability/ESG program in 2023 will include establishing baselines for key performance metrics including GHG, as well as preparing to set targets and publish a sustainability report in 2024. We also continue to monitor and prepare for upcoming requirements for ESG disclosure to investors and other stakeholders in the future.

MATERIALITY ANALYSIS

Philly Shipyard conducted a materiality analysis to identify the sustainability/ESG topics that are most relevant and material to the Shipyard and its stakeholders.

The materiality analysis 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. An initial list of material topics was then reviewed with the CEO and Management Team for review and approval.

The materiality analysis identified 22 material topics, which were organized under the ESG headings of Environmental, Social and Governance.

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

MATERIAL TOPICS

Environmental

- Energy use and energy efficiency
- Climate and greenhouse gases (GHG)
- Water impacts related to runoff, emissions, and use of river water
- Air emissions including VOCs and HAPs
- 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


cooperation
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HSE 2022:
Expanding Our Reach in a Busy 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.

In the last year, the Health, Safety, and Environment (HSE) team has dealt with the many challenges of a growing shipyard workforce while also celebrating milestones and recognition. In January, the shipyard crossed the threshold for two million consecutive work hours without a lost time incident (LTI). While this streak was eventually broken, I would like to recognize the commitment to safety that our team showed in reaching a significant milestone. In May, PSI received the Shipbuilder's Council of America (SCA) "Excellence in Safety" award. The SCA is the national association representing the U.S. shipyard industry and honored companies displaying an enhancement of operations and promotion of safety and accident prevention.

The HSE department continued to expand its staff to support the growing needs of the Production department as well as the programs and services offered to the yard. We were able to train 356 employees and subcontractors in scissor-lift and high-reach safety protocol. Other trainings include Forklift (158 trained), Overhead Shop Crane (89), Fire Watch (111) and CPR/AED (40).

The Emergency Response Team (ERT) was reconstituted with two classes trained over the year and multiple planned drills throughout 2023. The number of ERT members increased to 26. The local Naval Sea Systems Command (NAVSEA) Fire Department made several visits to the shipyard to see the progress on the National Security Multi-Mission Vessel (NSMV) program in the event they would need to assist in an emergency situation.

In 2022, the Ship Services Group was established to install temporary lighting and ventilation, as well as to monitor cable management onboard the new build vessels. We also implemented the design and installation of a fire monitoring system for the NSMV program. The aforementioned efforts have proven to substantially reduce property damage and personal injury risks by providing a safer work environment while contributing to the overall success of the NSMV program.

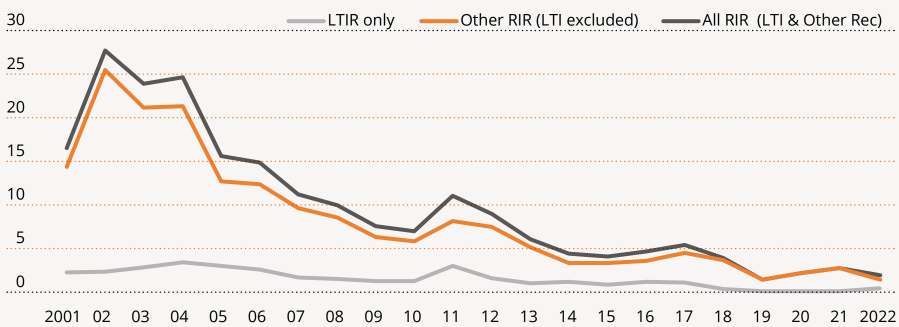
In accordance with guidance from the Centers for Disease Control and Prevention (CDC) and local governments, we lifted our mask mandate and other COVID-19 restrictions in March. We have continued to strongly encourage all employees and subcontractors to get vaccinated and boosted – even going as far as holding multiple on-site vaccine clinics since the onset of the virus. We also sponsored educational seminars to assist people in understanding the facts.

PSI has continued a long history dedicated to protecting the surrounding waterways from any negative impacts associated with manufacturing operations. We have a close working relationship with the City of Philadelphia and remain good stewards of the environment by strictly following all federal, state, and city regulations. For example, we traversed the air permit process during the installation of our new Paint Shop boiler system. This was an important step for us as we begin our journey into launching a comprehensive Environmental, Social, and Governance (ESG) program for the company. This will allow us to better tell the story of our current and future HSE work with quantifiable data.

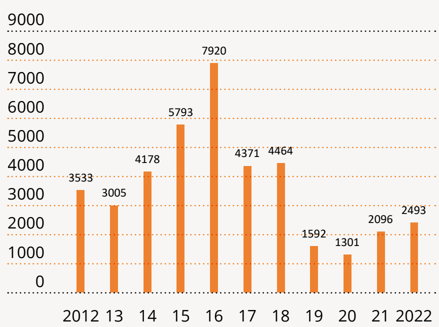
As we move forward in 2023, I expect our HSE record to remain strong and our department to lead these efforts in new and exciting ways.

Carl W. Danley
HSE Director

ALL INCIDENT FREQUENCY (2001 - 2022)



OBSERVATIONS (2012 - 2022)



2022: Strengthening Our Workforce and Record Backlog

Dear Shareholders,

In 2022, we completed our first full year of new build work since delivering Hull 30 in 2019. The sun was surely shining in Philly Shipyard as we were awarded the fifth option on the National Security Multi-Mission Vessel (NSMV) program and won a USD 1.0 billion three-containership contract from returning client Matson Navigation Company. I am proud to say this contract increased our order book to nine vessels and a record-high backlog exceeding USD 2.0 billion!

Our success in securing work is a testament to our track record as a company and I thank all of our employees for their efforts in getting us to this position. But with a busy backlog, comes a need for materials, equipment, and more skilled workers. The continuous effects of the COVID-19 pandemic on global supply chains and the national labor shortage has certainly put a strain on all companies, especially those in industrial manufacturing. Philly Shipyard is no exception.

When I last wrote you, we expected that we would continue to improve profitability in 2022 as we ramped-up production for the NSMV program. While we reached full capacity in mid-2022 and are no longer burdened by stranded overhead, we wound up recognizing a significant loss in 2022 on the first NSMV. The main reason for this disappointing result is that we continue to be negatively affected by significant delays, productivity loss and increased costs due to the COVID-19 pandemic's impact on our workforce and supply chain. I assure you that we are taking mitigating actions and exploring our options to recover these increased costs. I also remain optimistic that we will earn a profit on the five-ship series taken as a whole.

We have expanded our recruiting efforts like never before in 2022. Our company has partnered with local skills initiatives such as the West Philadelphia Skills Initiative and the Pennsylvania Talent Pipeline Project to find and train local talent. There have been many success stories including another year of welcoming new faces to our revived three-year Apprenticeship Program. Our Human Resources team employed the use of new advertising strategies to reach prospective employees from all walks of life. And I remain confident that we will find more shipbuilders to join us, but as the labor pool dwindled during COVID-19, we understand and are committed to our goal of training and upskilling the available workforce.

As we grow our team, I am continuing to challenge the company as a whole to elevate our work processes and productivity. Last year, we instituted the V5 Improvement Program led by our Quality department. With the launch of NSMV 1 in September, we wanted to better track and implement improvements to workflow from ship to ship for the entire five-vessel new build project. We are aiming to improve the quality of our product and productivity of our workforce, measurable vessel to vessel, through cost reduction, overall work hours, reduced rework, and a comprehensive world-class Quality culture, similar to our strong record in Health, Safety, and Environment (HSE). My aim as President and CEO is to promote pride in workmanship and focus on the end customer.

In April, we received an order from TOTE Services, LLC for the fifth and final option on the NSMV contract. The award was valued at approximately USD 300 million, bringing the total order intake under the contract for the five-ship program to approximately USD 1.5 billion. Later in the year, we were honored and filled with immense pride to have Matson once again choose Philly Shipyard, this time to build three (3) 3,600 TEU LNG-fueled Aloha class containerships. It says a lot about our building quality and track record to have a customer return. The award was valued at approximately USD 1.0 billion and secures work at our yard through 2027. We also have an order from Great Lakes Dredge & Dock Company for one Jones Act-compliant Subsea Rock Installation Vessel (SRIV), the first such ship to enter the U.S. market for offshore wind.

Our company has made a conscious effort to pivot toward a more diversified order backlog in an attempt to grow profitability. In my previous letter, you may remember I said our business would be balanced upon a "three-legged stool" of 1) commercial new builds, 2) government new builds, and 3) ship repairs. At the present moment, we do not have dock capacity for maintenance, repair, overhaul, and conversion (MROC) projects. Instead, our focus has shifted to our current order backlog of new build projects which takes us through the next five years. Our Management Team remains active in seeking future government and commercial shipbuilding projects and our "Going Gray" strategy resides within those efforts. In the past few years, we have gained invaluable experience through our participation in various design studies, such as the U.S. Coast Guard's Offshore Patrol Cutter (OPC) and the U.S. Navy's CHAMP, T-AGOS, T-ARC, and T-AS. And of course, the NSMV program has given us the opportunity to cut our teeth on government-related new builds.

I was proud to celebrate the many milestones of the NSMV program in 2022. We marked the Start of Fabrication of NSMV 3 (Maine Maritime Academy) with a steel cutting ceremony in July, launched NSMV 1 (SUNY Maritime College) from Dry Dock 4 to Dry Dock 5 in September, and laid the keel for NSMV 2 (Massachusetts Maritime Academy) shortly thereafter. It has been a tremendous honor to welcome cadets and officials from the state maritime academies to tour our yard

and witness these momentous occasions which honor the traditions of shipbuilding. Throughout the year, we also hosted visits from high ranking federal, state, and city delegates, federal and state maritime academy leaders and students, and many more who were all impressed by our world-class facilities and workforce.

In October, the Shipbuilders Council of America (SCA), the national trade association representing the U.S. shipyard industry, held its Fall Meeting in Philadelphia, which included a tour of our yard for around 120 industry professionals and a panel discussion for Philly Shipyard and TOTE Services to discuss the vessel construction manager (VCM) model for shipbuilding – which is being pioneered with the NSMV program. There is increasing interest in the industry and Congress in the NSMV contract model, which uses commercial best practices, and its potential applicability to other government shipbuilding programs to decrease costs and build more ships.

Earlier in the year, we received the SCA's 2022 "Excellence in Safety" award, which honored 15 shipyards for their continued advancement of employee safety and the promotion of accident prevention. This honor came on the heels of our company surpassing 2 million consecutive work hours without a lost time incident (LTI) in January. We emphasize our commitment to safety from day one of every employee's career. This is what makes Philly Shipyard a great place to work for our employees and a great place to do business for our customers.

A growing part of our HSE culture is our compliance with all environmental standards, including the reduction of our carbon footprint. I am very pleased to share that we have officially begun our Environmental, Social, and Governance (ESG) journey with the help of an experienced consultant who led our Management Team through multiple exploratory meetings resulting in a roadmap for the future. During 2022, we developed a formal program for sustainability and ESG which set key priorities for 2023, including the establishment of baselines for key performance metrics including greenhouse gases (GHG) as well as preparing to set targets and publish a sustainability report for fiscal year 2024. This program will allow us to prepare for upcoming requirements for ESG disclosure to stakeholders in the future.

Our focus in 2023 will be to improve internal processes and productivity while mitigating, to the best of our ability, the external factors, such as COVID-19, mentioned earlier that hinder our operations. We have a large, diversified order book that demands our attention. With this in mind, the company signed a term sheet in September with Avalotis Industrial Services (AIS) to transfer the operations of our Prime Plate facility – a steel blasting and priming facility located outside the shipyard fence-line in the Navy Yard business park. We have worked with AIS on many past projects and this transaction will allow us to focus our attention on our core shipbuilding operations. AIS will assume full operational control while servicing all of our plate priming requirements. This deal was finalized in February 2023 and I anticipate operational and overhead cost savings as a result.

As always, I feel fortunate for the steadfast support of our stakeholders, among them our union leaders, our suppliers, federal, state, and local representatives, and above all else our fantastic employees, who make possible our impressive track record, strong safety performance, and quality culture which allows for building the best ships in America. Looking ahead, I see more sun than clouds on the horizon for 2023.

Yours truly,

Steinar Nerbøvik

Steinar Nerbøvik
President and CEO

Philadelphia, PA
17 March 2023


Aker Philadelphia Shipyard

Board of Directors' Report 2022

Philly Shipyard ASA and its subsidiaries (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 April 2022, Philly Shipyard received an order from TOTE Services for the construction of the fifth and final NSMV in the training ship series, valued at approximately USD 300.0 million and bringing the total order intake under the contract for the five-ship program to approximately USD 1.5 billion.
- In November 2022, Philly Shipyard was awarded a contract by Matson Navigation Company to build three 3,600 TEU Aloha Class LNG-fueled containerships with a total contract value of approximately USD 1.0 billion; the series will follow NSMV 5 with contractual delivery dates in 2026 and 2027.
- Record high order backlog of USD 2,143.8 million on 31 December 2022 with last contractual delivery in 2027.
- 2022 operating revenues of USD 393.8 million compared to USD 214.1 million in 2021.
- 2022 net loss of USD 11.7 million compared to 2021 net loss of USD 7.3 million.
- Total cash and cash equivalents of USD 137.6 million at 31 December 2022, excluding USD 55.4 million of restricted cash.

ACTIVITIES

The main entities in Philly Shipyard are 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"), 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 2022, PSI's workforce consisted of 1,406 people, with a breakdown of 411 direct employees and 995 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 2022, Philly Shipyard has nine vessels in its order book with a total contract value in excess of USD 3.1 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 30 quality vessels (6 containerships, 22 product tankers and 2 Aframax tankers); and a skilled 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 2023 shipbuilding plan would require annual spending of approximately USD 30-33 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. A Master Agreement, a Shipyard Lease and an Authorization Agreement govern 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 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 2022.

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.

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 2022

In April 2022, Philly Shipyard received an order for the construction of the fifth and final NSMV in the training ship series with a contractual delivery date set in 2026. The award is valued at approximately USD 300 million, bringing the total order intake under the contract for the five-ship NSMV program to approximately USD 1.5 billion.

In November 2022, Philly Shipyard was awarded a contract by Matson Navigation Company (Matson) to build three 3,600 TEU Aloha Class LNG-fueled containerships with a total contract value of approximately USD 1.0 billion. The series will follow NSMV 5 with contractual delivery dates in 2026 and 2027.

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 2022, Philly Shipyard has three separate awards under one shipbuilding contract with TOTE Services 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 being accounted for using the percentage-of-completion method per IFRS 15 *Revenue from Contracts with Customers.* PSI is building five NSMVs (NSMVs 1-5) for TOTE Services, with the first two vessels (NSMVs 1-2) scheduled for delivery in 2023, the next two vessels (NSMVs 3-4) scheduled for delivery in 2024 and 2025, respectively, and the final vessel (NSMV 5) scheduled for delivery in 2025. As of 31 December 2022, the NSMV projects for NSMVs 1-2, NSMVs 3-4 and NSMV 5 are 75.5%, 18.1% and 2.3% complete, respectively.

Philly Shipyard also has a shipbuilding contract with Great Lakes Dredge & Dock Company (Great Lakes) in place for the Subsea Rock Installation Vessel (SRIV) project, which was awarded in November 2021. PSI is building one SRIV (SRIV 1) for Great Lakes, scheduled for delivery in 2025. As of 31 December 2022, the SRIV 1 project is 4.0% complete.

Philly Shipyard also has one other shipbuilding contract with Matson in place for the 3,600 TEU Aloha Class LNG-fueled containership vessel (CV) project, 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 2022, the CVs 1-3 project is 0.1% complete.

Philly Shipyard's accounting policy for projects following NSMVs 3-4 is to not recognize profit on projects until they are 5.0% complete.

Also in accordance with IFRS, Philly Shipyard recognized profits on the T-ARC and OPC government design studies during the year.

Order backlog

As of 31 December 2022, Philly Shipyard's order backlog was USD 2,143.8 million and represents a contractual shipbuilding obligation to deliver newly built vessels (NSMVs 1-5, SRIV 1 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 2022 of USD 1,332.1 million at 31 December 2022 represents new orders for NSMV 5 and CVs 1-3 plus change orders on NSMVs 1-4 and SRIV 1.

Profit and loss accounts

Operating revenues and other income in 2022 ended at USD 393.8 million compared to operating revenues and other income of USD 214.1 million in 2021. Operating revenues and other income in 2022 were primarily driven by revenues from progress on NSMVs 1-5, SRIV 1, 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. Operating revenues and other income in 2021 were primarily driven by progress on the first four NSMV vessels (NSMVs 1-4), ship repair and maintenance work and four government design studies.

Philly Shipyard's earnings before interest, taxes, depreciation and amortization (EBITDA) was negative USD 18.1 million in 2022, compared to EBITDA of negative USD 7.0 million in 2021. These figures correspond to EBITDA margins of -4.6% and -3.3%, respectively.

Depreciation expense in 2022 and 2021 was USD 6.2 million and USD 5.4 million, respectively.

Philly Shipyard's earnings before interest and taxes (EBIT) was negative USD 24.3 million in 2022 compared to EBIT of negative USD 12.4 million in 2021. EBIT in 2022 was primarily driven by increased costs on the NSMV program and consisted of a gross loss of USD 17.2 million recognized on shipbuilding projects (compared to a gross profit of USD 8.7 million recognized on shipbuilding projects in 2021), SG&A costs of USD 7.1 million (compared to USD 7.5 million in 2021) and under-recovered overhead costs (i.e., overhead costs incurred and not allocated to projects) of USD 1.7 million (compared to USD 19.4 million in 2021), partially offset by the profit in equity-accounted investment described above of USD 1.1 million, profit of USD 0.2 million in government design studies and miscellaneous items of USD 0.4 million.

In addition to the IFRS financial measures reported above, EBITDA and EBIT 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.

Net financial items in 2022 and 2021 were income of USD 2.0 million and USD 0.2 million, respectively. Net financial items in both years were primarily driven by interest income from bank balances partially offset by interest expense and bank fees.

Income tax in 2022 and 2021 was a benefit of USD 10.6 million and USD 4.9 million, respectively. The 2022 deferred income tax benefit of USD 10.6 million was primarily driven by temporary differences regarding stranded overhead and the newly enacted research and development (R&D) expense capitalization rules.

In 2022, Philly Shipyard's net loss was USD 11.7 million and its basic and diluted loss per share was negative USD 0.97. The corresponding figures for 2021 was net loss of USD 7.3 million and a basic and diluted loss per share of negative USD 0.61.

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 2022 was USD 105.0 million and net cash flow from operating activities in 2021 was USD 172.7 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 2022 and 2021 were USD 12.1 million and USD 14.8 million, respectively. In both 2022 and 2021, investment activities were due to capital improvements and enhancements to support the NSMV and SRIV programs.

Net cash flow used in financing activities in 2022 and 2021 was USD 0.3 million for both years. In both 2022 and 2021, financing activities were for repayment of lease liabilities.

Statement of financial position and liquidity

As of 31 December 2022, Philly Shipyard has cash and cash equivalents (excluding restricted cash) of USD 137.6 million. The corresponding figure for 2021 is USD 255.0 million. The decrease of USD 117.4 million was primarily due to spending on materials and services related to the vessel projects underway, timing of customer milestone payments, and investment in property, plant and equipment (PP&E). Philly Shipyard's net working capital (current assets less current liabilities) is negative USD 64.2 million at 31 December 2022 compared to negative USD 17.3 million at 31 December 2021.

As of 31 December 2022, Philly Shipyard has restricted cash of USD 55.4 million, of which USD 45.4 million (long-term) represents the total cash deposited in an escrow account for the bonds required for NSMVs 1-5 and a reserve account required for NSMV 3, and USD 10.0 million (short-term) pertains to reserve accounts required for NSMVs 1-2. The corresponding figure for 2021 was USD 44.5 million. The increase of USD 10.9 million in restricted cash is primarily due to the additional cash deposited in the escrow and reserve accounts described above. 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 vessel.

Total assets were USD 350.5 million at 31 December 2022 compared to USD 437.0 million at 31 December 2021.

Current assets as of 31 December 2022 of USD 209.0 million 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 corresponding figure for 31 December 2021 is USD 331.5 million and consists of prepayments and other receivables, restricted cash (short-term), income tax receivable (short-term), contract assets and cash and cash equivalents. The decrease of USD 122.5 million in current assets is primarily due to the decrease in cash and cash equivalents.

Non-current assets as of 31 December 2022 of USD 141.5 million consists of PP&E, right-of-use assets, restricted cash (long-term), deferred tax asset, income tax receivable (long-term), and other non-current assets. The corresponding figure for 31 December 2021 is USD 105.5 million and consists of PP&E, right-of-use assets, restricted cash (long-term), deferred tax asset, income tax receivable (long-term), and other non-current assets. The increase of USD 36.0 million in non-current assets is primarily driven by the increase in deferred tax asset and increase in income tax receivable (long-term) and the net investment in PP&E.

Current liabilities as of 31 December 2022 of USD 273.2 million consists of trade payables and accrued liabilities, warranties, customer advances (net), other contract liabilities and lease liability (short-term). The corresponding figure for 31 December 2021 is USD 348.8 million and consists of trade payables and accrued liabilities, warranties, customer advances (net), income tax payable (short-term) and lease liability (short-term). The decrease of USD 75.6 million in current liabilities is primarily due to a reduction in customer advances (net) for NSMVs 3-5, SRIV 1, and CVs 1-3 and a decrease in trade payables and accrued liabilities.

Non-current liabilities as of 31 December 2022 of USD 3.5 million consists of income tax payable (long-term) and lease liability (long-term). The corresponding figure for 31 December 2021 is USD 2.8 million and consists of income tax payable (long-term) and lease liability (long-term). The increase of USD 0.7 million in non-current liabilities is primarily due to an increase in lease liability (long-term).

Total equity at 31 December 2022 amounts to USD 73.8 million and the equity ratio (total equity divided by total assets) was 21%. Corresponding figures for 31 December 2021 are USD 85.5 million and 20%, respectively. The USD 11.7 million decrease in equity is the result of the current year's net loss.

The Board deems that the Company as of 31 December 2022 is financially sound and has an appropriate financing structure subject to the risks discussed in the Risks section below.

RISKS

Market risks

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.

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. There can be no assurance that Philly Shipyard will obtain such new orders or financing for vessels.

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 for the CV program. Philly Shipyard intends to enter into fixed-price subcontracts for the major equipment 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. The COVID-19 pandemic and the federal contractor vaccine mandate have adversely impacted, and could continue to adversely impact, the Company's ability to attract and retain skilled workers at forecasted rates.

The Company furthermore 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.

There is a higher technical design risk and a higher project execution risk for the NSMV and SRIV compared to the construction of vessels based on a proven design, such as the series of product tankers or Aloha Class containership vessels previously built by Philly Shipyard. These risks increase the current construction cost estimation uncertainty and the likelihood of occurrence of contract contingencies. In particular, 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 containership vessels.

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, see "The Master Agreement, Shipyard Lease and Authorization Agreement with PSDC" on page 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 occasional 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.

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 of concerns that carbon dioxide, methane and certain other greenhouse gases may 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.

The Shipyard is exposed to risks related to extreme weather (storms, air quality, floods, temperature highs and lows, etc.) on site and during transportation of supplies. Contingency plans are developed for each project to mitigate risks of disruptions, project delays and financial and reputational impact. The Shipyard is located on a tidal riverfront. The property is not considered at a high risk of rising sea levels, flooding or erosion during extreme weather, due to its distance from the ocean and the elevated level of the Shipyard's infrastructure compared to nearby riverfront areas.

Entry into, or further development of, lines of business in which the Company has not historically operated may expose Philly Shipyard to business and operational risks that are different from those it has experienced historically. For example, 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.

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.

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. PSI 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 are payable in U.S. dollars. The subcontract for the detailed design for the CV program is 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 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. 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. No third-party financing is needed, and Philly Shipyard has furnished all bonds and security that are required, to support its active shipbuilding programs.

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 COVID-19 pandemic inherently increases many of the aforementioned risk factors. Markets become more uncertain, operations become more vulnerable to interruptions and policy makers around the world may gravitate towards stricter regulations impacting international trade.

COVID-19 related risks include risks to human capital resources arising from vaccine mandates, supply chain constraints, labor and raw materials shortages, and inflation. These risks have caused, and could continue to cause, delays, productivity loss and increased costs with respect to the Company's shipbuilding projects. While the COVID-19 pandemic may be viewed as in retreat in some areas of the world, the legacy of these risks is expected to continue into the future.

Philly Shipyard continues to take mitigating actions and seek relief for operational disruptions arising from the COVID-19 pandemic and the federal contractor vaccine mandate. Despite aggressive recruiting efforts, the pandemic and mandate prevented Philly Shipyard from ramping-up its workforce in accordance with plan. These conditions continue to impede Philly Shipyard's efforts to efficiently maintain its workforce. The pandemic also continues to disrupt Philly Shipyard's global supply chain. Notwithstanding ongoing mitigation efforts, these factors are contributing to significant delays, productivity loss and increased costs.

The Russia-Ukraine military conflict, as well as the economic sanctions targeting Russia, continues to exacerbate the inflationary environment and supply-chain disruptions resulting from the COVID-19 pandemic. These conditions further increase the risk of rising commodity prices, material shortages and transportation delays that could adversely impact Philly Shipyard's business.

Philly Shipyard is seeing substantial uncertainty in the macroeconomic environment throughout the world due to the above contributing factors as well as rising interest rates, market volatility and recession concerns.

SUBSEQUENT EVENTS AFTER 31 DECEMBER 2022

On 8 February 2023, a new four-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTC).

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 2022 shows a loss of USD 1.7 million. The Board of Directors proposes that the loss for the year be allocated as shown below:

Dividend payment	USD 0
Other equity	USD (1.7) million
Total allocated	USD (1.7) 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. In line with this objective, PHLY has paid out significant dividends in the past. However, current priorities are to retain a strong balance sheet and, consequently, the PHLY Board does not foresee payment of shareholder distributions, including dividends and share buybacks, sooner than the delivery of the third NSMV.

The parent company's only assets are cash and the investment in subsidiary, PSI.

ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG)

During 2022, we further deepened our efforts around sustainability by developing a formal program for sustainability and environmental, social, and governance (ESG). We conducted peer benchmarking, performed a stakeholder analysis, mapped out the United Nations Sustainable Development Goals (UN SDGs) to our operations, and built our sustainability and ESG program governance structure. We also conducted a materiality analysis to identify the sustainability/ESG topics that are most relevant and material to the Shipyard and its stakeholders.

Key priorities for the sustainability/ESG program in 2023 will include establishing baselines for key performance metrics including GHG, as well as preparing to set targets and publish a sustainability report in 2024. We also continue to monitor and prepare for upcoming requirements for ESG disclosure to investors and other stakeholders in the future. The Board of Directors and CEO of the Philly Shipyard have oversight of the sustainability/ESG program and review it regularly at Board meetings.

PSI is located in the former Philadelphia Naval Shipyard. Maintaining a healthy and safe workplace and being friendly to the environment is an essential part of the Company's strategy. Philly Shipyard develops policies to comply with or exceed all federal, state, and local requirements.

We are committed to our community and environment because it's right for the Company, right for our people, and right for the world. PSI uses best management practices to ensure as much material as possible is diverted from landfills and used for better purposes. The Shipyard recycled 100% of its wood and metal products and up to 80% of its industrial debris.

Additionally, PSI continues to collect and donate magazines and books for the Seaman's Church Institute in Philadelphia, which then get distributed to the various seamen that enter Philadelphia's port. In addition, PSI continued to donate funds to local charities in lieu of mailing holiday greeting cards.

The Shipyard made multiple charitable donations in the form of money or food to several local groups, including Children's Hospital of Philadelphia, Nemours Children's Hospital of Delaware, Empowered Community Development Corporation, and the Camp Out for Hunger. The Company also made donations to maritime industry organizations such as the National Liberty Ship Memorial and United Seaman's Service, as well as maritime education institutions including the U.S. Merchant Marine Academy and SUNY Maritime College. The PSI community also banded together to help raise funds for an employee's grandson who is battling multiple cardiac-related health issues.

PSI seeks to be an attractive employer and maintains a human relations policy that is open and fair. PSI 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. In support of this diversity, at 31 December 2022 approximately 39% of PSI's employees were minorities.

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. PSI has also continued to train supervisors, managers, and employees in its Equal Employment Opportunity policy.

At year-end 2022, approximately 11% of PSI's employees were women. While there were no women on PSI's senior management team, women held key positions such as HR/Communications Director, Manager of Project Estimating and Cost Control, Controller, Accounts Payable Supervisor, Payroll Benefits Supervisor, Purchasing Manager, Production Supervisor and HSE Forewoman. In addition, one of the three members of PHLY's Board of Directors is a woman.

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 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 2022, the Company did not have a formal policy regarding human rights as its sole operating company is located in the United States, which has extensive human rights laws in place.

At the operating subsidiary in Philadelphia, workers' rights are protected by federal, state and local laws. In addition, approximately 45% 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. Non-union employees accrue sick time on a monthly basis and may maintain a balance of up to 200 hours. During 2022, 263 non-union employees used 9,011 hours of total sick time (5,896 hours of sick time and 3,115 hours of COVID-19 time), representing 1.1% of total non-union work hours. Comparably, in 2021, 218 non-union employees used 4,762 hours of total sick time (3,678 hours of sick time and 1,084 hours of COVID-19 time), representing 1.3% of total non-union work hours.

At the Shipyard, HSE is not just a priority, but is 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 expects to implement new initiatives to continuously improve its HSE mindset during 2023.

PSI had 5 lost time injuries (LTI) and 23 recordable injuries reported in 2022. The incidents came from a total of 2,592,917 hours worked by PSI employees and subcontractors in 2022, compared to 952,613 hours worked by PSI employees and subcontractors in 2021. The Other Recordable Incident Frequency Rate (ORIFR) was 2.55 in 2022, compared to 2.73 in 2021. ORIFR is based on recordable incidents other than LTIs per 200,000 hours as defined by the Occupational Safety and Health Administration (OSHA).

Philly Shipyard takes its environmental responsibilities seriously beginning with the vessel design. The Shipyard uses the latest International Maritime Organization requirements as guidance for environmental protection and efficiency during the design and production process. In its role as a supplier to ship designers and owners, Philly Shipyard is increasingly involved in building ships that meet evolving needs for sustainable and green designs. The Company has expanded its capabilities and know-how in technologies that reduce ships' greenhouse gas (GHG) emissions through alternative fuels, battery storage, cleaner-running engines and more. Philly Shipyard also is a key supplier to the wind power sector through its contract to build a Subsea Rock Installation Vessel that will support the installation of offshore wind farms.

The industrial nature of the Shipyard's activities requires the use of significant amounts of energy, both electrical and gas, as well as the release of particulate and volatile organic compound (VOC) emissions. During 2022, PSI used approximately 20 GWh of electricity and approximately 336,931 ccf of natural gas. Its VOC emissions were approximately 36 tons for the reporting period ending in 2022. PSI had no reported discharges into the surrounding waterways.

Philly Shipyard recognizes that climate change has and will continue to have significant impacts on the environment and society, which has prompted regulations limiting GHG emissions 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 GHG emissions and transform away from fossil fuels and transition toward a low-carbon economy.

Philly Shipyard is in the process of determining its GHG footprint, and has a program underway to improve its energy efficiency and reduce emissions. Philly Shipyard also has been exploring opportunities to electrify its operations, including using battery-powered fork trucks. A substantial portion of the lighting at the Shipyard has been switched to LED, and upgrades were made for more efficient boilers in the paint area, to further improve energy efficiency. Over the next year, the Company intends to develop more comprehensive plans to reduce its GHG footprint, set a GHG reduction target, and disclose GHG emissions annually (Scope 1 and 2).

Environmental status 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.

In 2022, PSI generated approximately 28 tons of hazardous waste and recycled approximately 1,950 tons of wood and 1,275 tons of steel. Philly Shipyard has continued its program to gather and sort waste to promote environmentally responsible handling, disposal and recovery of any residual value.

A basic principle of ethical business conduct requires that each employee of the Shipyard support positively, both on and off the job, the Shipyard's business activities. One important way PSI satisfies this responsibility is to ensure that its business dealings are never influenced by - or even appear to be influenced by - its own personal interests. 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 Interests policy, which is reflected in PSI's 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 (the "Whistleblower Policy"). This 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 2022, there were 3 cases reported using this process and none were considered material.

ORGANIZATION

On 31 December 2022, Philly Shipyard's workforce consisted of 411 direct employees and 995 subcontracted personnel. The Shipyard experiences higher turnover amongst its union and production subcontractor employees compared to other employees.

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 77-81 of this annual report.

The directors and officers of Philly Shipyard ASA 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

On 31 December 2022, Philly Shipyard had a record high order backlog of USD 2,143.8 million. With the award of the Matson contract, Philly Shipyard has nine vessels, consisting of five NSMVs, one SRIV and three CVs, in its order book. Philly Shipyard's current order book is the largest in its 25-year history, providing pipeline visibility and stability into 2027.

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 Congress in the NSMV contract model and its potential applicability to government shipbuilding programs to reduce costs and build more vessels.

Philly Shipyard does not foresee excess capacity in its drydocks or fabrication shops for ship maintenance, repair, overhaul and conversion (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.

The forecast continues to be negatively impacted by significant delays, productivity loss and increased costs, including costs of labor, materials and logistics issues. These impacts are mainly attributable to the tight labor pool and supply chain disruptions resulting from the COVID-19 pandemic and federal contractor vaccine mandate. However, Philly Shipyard still forecasts to be profitable on the five-ship NSMV series taken as a whole.

While it remains too soon to quantify the extent of these impacts, Philly Shipyard is pursuing all options available to recoup unforeseen costs related to the pandemic and mandate.

Oslo, Norway - 17 March 2023
Board of Directors Philly Shipyard ASA

Kristian Røkke	Jan Petter Hagen	Elin Karfjell	Steinar Nerbøvik
Board Chairman	*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 2022 (annual report 2022).

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 2022. 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 2022. The Board of Directors' report for Philly Shipyard 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 2022.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2022 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 2022 for Philly Shipyard and the parent company
- The Board of Directors' report for Philly Shipyard and the parent company includes a true and fair review of:
  - The development and performance of the business and the position of Philly Shipyard and the parent company
  - The principal risks and uncertainties Philly Shipyard and the parent company face

Oslo, Norway - 17 March 2023
Board of Directors Philly Shipyard ASA

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

Consolidated Income Statement

Amounts in USD thousands (except share amounts and earnings per share)	Note	2022	2021
Operating revenues	2	392 706	214 060
Other income	2	1 112	-
Operating revenues and other income		**393 818**	**214 060**
Cost of vessel construction		(403 113)	(194 149)
Wages and other personnel expenses (SG&A)	3	(3 162)	(2 851)
Other operating expenses	4	(5 659)	(24 096)
Operating loss before depreciation (EBITDA)		**(18 116)**	**(7 036)**
Depreciation	7	(6 190)	(5 417)
Operating loss before interest and taxes (EBIT)		**(24 306)**	**(12 453)**
Financial income	5	2 557	363
Financial expense	5	(570)	(178)
Loss before tax		**(22 319)**	**(12 268)**
Income tax benefit	6	10 628	4 886
Loss after tax		**(11 691)**	**(7 382)**
Weighted average number of ordinary shares in issue	11	12 107 901	12 107 901
Basic loss per share (USD)	11	(0.97)	(0.61)
Diluted loss per share (USD)	11	(0.97)	(0.61)

Consolidated Statement of Comprehensive Income

Amounts in USD thousands	2022	2021
Loss after tax for the year	(11 691)	(7 382)
Other comprehensive income, net of income tax	-	-
Total comprehensive loss for the year *	**(11 691)**	**(7 382)**

* All attributable to equity holders of the parent company.

Consolidated Statement of Financial Position

as of 31 December

Amounts in USD thousands	Note	2022	2021
ASSETS			
Property, plant and equipment	7	42 136	36 002
Right-of-use assets	7	13 500	12 769
Restricted cash long-term	10	45 420	43 096
Deferred tax asset	6	26 208	13 081
Income tax receivable long-term	6	13 700	82
Other non-current assets		548	495
Total non-current assets		141 512	105 525
Prepayments and other receivables	8	52 357	61 123
Restricted cash short-term	10	10 011	1 396
Income tax receivable short-term	6	4 107	13 624
Vessels-under-construction receivable	2	4 925	-
Contract assets	2	-	345
Cash and cash equivalents	9	137 586	255 003
Total current assets		208 986	331 491
TOTAL ASSETS		350 498	437 016
EQUITY AND LIABILITIES			
Paid in capital	12	35 206	35 206
Other equity		38 566	50 257
Total equity attributable to equity holders of the parent company		73 772	85 463
Total equity		73 772	85 463
Income tax payable long-term	6	1 200	1 200
Lease liability long-term	13	2 354	1 582
Total non-current liabilities		3 554	2 782
Trade payables and accrued liabilities	16	41 730	49 879
Other provisions - warranties	15	250	1 973
Customer advances (net)	2	230 558	296 398
Other contract liabilities	2	348	-
Income tax payable short-term	6	-	199
Lease liability short-term	13	286	322
Total current liabilities		273 172	348 771
Total liabilities		276 726	351 553
TOTAL EQUITY AND LIABILITIES		350 498	437 016

Oslo, Norway - 17 March 2023
Board of Directors Philly Shipyard ASA

Kristian Røkke
Board Chairman

Jan Petter Hagen
Board Member

Elin Karfjell
Board Member

Steinar Nerbøvik
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 2020	22 664	22 511	(9 969)	57 639	92 845
Total comprehensive loss for the year 2021	-	-	-	(7 382)	(7 382)
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

Consolidated Cash Flow Statement

Amounts in USD thousands	Note	2022	2021
Loss before tax		(22 319)	(12 268)
Depreciation	7	6 190	5 417
Right-of-use assets reassessment		144	-
Net financial income	5	(1 951)	(182)
(Increase)/decrease in:			
Vessels-under-construction receivable	2	(4 925)	-
Contract assets	2	345	(345)
Restricted cash	10	(10 939)	(18 070)
Prepayments materials deposits	8	6 404	(17 210)
Prepayments other and other receivables	8	2 362	1 528
Other non-current assets		(53)	-
Increase/(decrease) in:			
Trade payables and accrued liabilities	15,16	(9 872)	42 091
Customer advances (net)	2	(65 840)	165 504
Other contract liabilities	2	348	(151)
Income taxes (paid)/refunded	6	(6 799)	6 225
Interest paid, net of capitalized interest	5	(570)	(178)
Interest received	5	2 521	360
Net cash flow (used in)/from operating activities		(104 954)	172 721
Investment in property, plant & equipment	7	(12 094)	(14 770)
Net cash flow used in investing activities		(12 094)	(14 770)
Repayment of lease liability	13	(369)	(309)
Net cash flow used in financing activities		(369)	(309)
Net change in cash and cash equivalents		(117 417)	157 642
Cash and cash equivalents as of 1 January		255 003	97 361
Cash and cash equivalents as of 31 December	9	137 586	255 003

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 International Financial Reporting Standards (IFRS) as adopted by the European Union in effect at each financial reporting period.

These accounts have been approved for issue by the Board of Directors on 17 March 2023. The annual accounts will be submitted to Philly Shipyard's annual general meeting on 19 April 2023 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 owns certain dormant subsidiaries in connection with its former investments in shipping assets.

PHLY is domiciled in Oslo, Norway. PSI is domiciled in the Commonwealth of Pennsylvania, USA. The subsidiaries of PSI are domiciled in the State of Delaware, USA. These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. 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 it is estimated that total contract costs will exceed total contract revenues. 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 being accounted for using the percentage-of-completion method per IFRS 15 *Revenue from Contracts with Customers*. 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 the NSMV Project

The cost forecast of the total NSMV project 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 NSMV project 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.

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).

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 2021 and 2022 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.

COVID-19

The world remains in the COVID-19 pandemic, and how it will continue to unfold is uncertain. Philly Shipyard is continuing to take measures to mitigate substantial negative impact for the Company. Please refer to page 23 of the Board of Directors' report for a discussion of COVID-19 risks. These risks include risks to human capital resources arising from vaccine mandates; supply chain constraints; labor and raw materials shortages; and inflation. These risks have caused, and could continue to cause, delays, productivity loss, and increased costs with respect to the Company's shipbuilding projects. Based on the Company's assessment of these risks and mitigating factors, it is not anticipated that the COVID-19 pandemic will have a material adverse impact on estimates and judgments about the future of Philly Shipyard. However, in a worst-case scenario, the COVID-19 pandemic could continue to significantly impede PSI's efforts to maintain its workforce and significantly impact the Company's global supply chain for material and equipment used in the production of vessels.

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 2022 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.

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 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable, mainly independent, cash inflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of the asset's net selling price and its value in use. The value-in-use is determined by discounted cash flows and fair market value is based on recent third party appraisals.

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 2022 to 31 December 2022 (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 and ship repair and maintenance contracts 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 award in place for the SRIV program (SRIV 1) and one separate shipbuilding award 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 being accounted for using the percentage-of-completion over time 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.

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 costs of meeting the obligations under a contract exceed the economic benefits to be received.

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 and ship repair and maintenance work 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 tax is 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 2022 amounts to USD 12.6 million. Included in this are the assets PSDC purchased from PSI in 2011, which at 31 December 2022 the net book value amounts to USD 10.2 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 and repairing 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 2022

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

There were no changes to the financial reporting requirements this year that affected the disclosures in these financial statements. While the IASB has made a few amendments to standards that apply from 1 January 2022, these are largely clarifications and none of them required a change in Philly Shipyard ASA's accounting policies. One of these clarifications related to *Onerous Contracts - Cost of Fulfilling a Contract* (Amendments to IAS 37). The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. This clarification is in accordance with existing accounting policies on Onerous Contracts.

There has not been any recent IFRS Interpretation Committee (IC) agenda decisions that have required changes to any of the Company's accounting policies for 2022.

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 2022. 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 2,143.8 million at 31 December 2022 represents a contractual shipbuilding obligation to deliver newly built vessels (NSMVs 1-5, SRIV 1 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 1,332.1 million at 31 December 2022 represents the total contract value of the new orders for NSMV 5 and CVs 1-3 plus change orders on NSMVs 1-4 and SRIV 1.

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

Amounts in USD thousands	Order backlog 31 Dec 2022	Order intake 2022	Order backlog 31 Dec 2021	Order intake 2021
Total	2 143 763	1 332 094	1 203 243	790 637

Amounts in USD thousands	Accumulated recognized revenue 31 Dec. 2022	Remaining performance obligation 31 Dec. 2022	Revenue recognition principle	Estimated year of completion
NSMVs 1-2	484 868	157 266	Over time	2023
NSMVs 3-4	110 073	499 518	Over time	2025
NSMV 5	6 410	295 434	Over time	2025
SRIV 1	7 512	193 907	Over time	2025
CVs 1-3	1 112	997 638	Over time	2027
Total	609 975	2 143 763		

As of 31 December 2022, 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 being accounted for using the percentage-of-completion method per IFRS 15 *Revenue from Contracts with Customers*. PSI is building five NSMVs (NSMVs 1-5) for TOTE Services, with the first two vessels (NSMVs 1-2) scheduled for delivery in 2023, the next two vessels (NSMVs 3-4) scheduled for delivery in 2024 and 2025, respectively, and the final vessel (NSMV 5) scheduled for delivery in 2025. As of 31 December 2022, the NSMV projects for NSMVs 1-2, NSMVs 3-4 and NSMV 5 are 75.5%, 18.1% and 2.3% complete, respectively.

Philly Shipyard has another shipbuilding contract in place for the Subsea Rock Installation Vessel (SRIV) program, which was awarded in November 2021. PSI is building one SRIV (SRIV 1) for Great Lakes, scheduled for delivery in 2025. As of 31 December 2022, the SRIV 1 project is 4.0% complete.

Philly Shipyard also has one other shipbuilding contract with Matson in place for the containership vessel 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 2022, the CVs 1-3 project is 0.1% 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 and income recognized in 2022 includes revenue and income for NSMVs 1-2, NSMVs 3-4, NSMV 5, SRIV 1 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 for projects following NSMVs 3-4 is to not recognize profit on projects until they are 5.0% complete.

Operating revenues and other income are detailed below:

Amounts in USD thousands	2022	2021
Shipbuilding	391 575	189 275
Government design studies	1 131	4 997
Ship repair and maintenance	-	19 788
Total operating revenue	**392 706**	**214 060**
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, SRIV 1 and CVs 1-3) as of 31 December 2022 is as follows:

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

The recognized accumulated combined profit on long-term construction contracts in process (NSMVs 1-4) as of 31 December 2021 was as follows:

Amounts in USD thousands	31 Dec 2021
Construction contract revenue recognized to date	218 400
Construction contract expenses recognized to date	(207 650)
Construction contracts profit recognized to date	**10 750**

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 2022 and 31 December 2021 totaled USD 835.6 million and USD 514.9 million, respectively. Customer milestone payments received from TOTE Services for NSMVs 1-5, from Great Lakes for SRIV 1 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 is 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 2022 and 31 December 2021 totaled USD 4.9 million and USD 0, respectively. Vessels-under-construction receivable represents the difference between (i) cash advances received from customers for NSMVs 1-2 and (ii) revenue recognized for NSMVs 1-2.

Customer advances (net) and other contract liabilities

Customer advances (net) as of 31 December 2022 and 31 December 2021 totaled USD 230.6 million and USD 296.4 million, respectively. Customer advances (net) represents the difference between (i) cash advances received from customers plus accounts receivable and (ii) revenue recognized for NSMVs 3-5, SRIV 1, and CVs 1-3.

Other contract liabilities as of 31 December 2022 and 31 December 2021 totaled USD 348 thousand and USD 0, respectively. Other contract liabilities represents the difference between (i) cash advances received plus accounts receivable from customers and (ii) revenue recognized on government design studies.

As of 31 December 2022, Philly Shipyard has USD 340.3 million in unpaid non-cancellable purchase commitments for materials, equipment and design fees for the construction of NSMVs 1-5 and SRIV 1.

Contract assets

Contract assets as of 31 December 2022 and 31 December 2021 totaled USD 0 and USD 345 thousand, respectively. Contract assets represents the difference between (i) revenue recognized on government design studies and (ii) cash advances received plus accounts receivable from customers.

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)	2022	2021
Wages	33 684	24 905
Social security contributions	2 853	2 040
Pension costs (note 14)	1 327	934
Other expenses (1)	5 124	4 318
Total gross expense	**42 988**	**32 197**
Expenses charged to vessel construction	(24 845)	(17 618)
Expenses charged to indirect overhead	(14 981)	(11 728)
Wages and other personnel expenses (SG&A)	**3 162**	**2 851**
Average number of employees	390	268
Number of employees at year-end	411	343

(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	2022	2021
Non-payroll expenses (SG&A)	3 941	4 659
Under-recovered overhead costs	1 718	19 437
Total other operating expenses	**5 659**	**24 096**

In 2022 and 2021, PSI operated at below normal operating levels and under-recovered overhead costs (i.e., overhead costs incurred and not allocated to projects) were expensed in 2022 and 2021. Non-payroll expenses (SG&A) primarily relate to non-payroll selling, general and administrative expenses and concept projects.

Fees to auditors for Philly Shipyard are as follows:

Amounts in USD thousands	2022	2021
Audit fees	147	152
Other audit and attestation fees	32	55
Total	**179**	**207**

NOTE 5: FINANCIAL INCOME AND FINANCIAL EXPENSE

Amounts in USD thousands	2022	2021
Interest income	2 521	360
Foreign exchange gain	36	3
Financial income	**2 557**	**363**
Interest expense	(570)	(178)
Financial expense	**(570)**	**(178)**
Net financial items	**1 987**	**185**

NOTE 6: TAXES

Income tax expense/(benefit)

Recognized in the consolidated income statement

Amounts in USD thousands	2022	2021
Current income tax expense/(benefit):		
Current year - U.S.	2 499	(134)
Current year - Norway	-	(119)
Total current income tax expense/(benefit)	**2 499**	**(253)**
Deferred tax (benefit)/expense:		
Origination and reversal of temporary differences - U.S.	(13 127)	(4 633)
Origination and reversal of temporary differences - Norway	-	-
Total deferred tax (benefit)/expense	**(13 127)**	**(4 633)**
Total income tax (benefit)/expense in the consolidated income statement	**(10 628)**	**(4 886)**

Reconciliation of effective tax rate:

Amounts in USD thousands	2022	2021
Loss before tax	(22 319)	(12 268)
Nominal Norwegian tax rate	22.0%	22.0%
Expected tax (benefit)/expense using nominal Norwegian tax rate	(4 910)	(2 699)
Effect of differences between nominal Norwegian tax rate and U.S. federal, state and city tax rate	(2 607)	(1 287)
Expenses not deductible for tax purposes	34	113
R&D tax credits	(8 695)	(4 825)
R&D tax credits used in 2022	5 806	-
Other differences	(256)	292
Valuation allowance	-	3 520
Total income tax (benefit)/expense in the consolidated income statement	**(10 628)**	**(4 886)**

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	2022	2021
Beginning of the period	13 507	18 279
Taxes (payable)/receivable	(2 499)	1 453
Taxes paid/(refunded)	6 799	(6 225)
End of the period	17 807	13 507

Income tax payable

Amounts in USD thousands	2022	2021
Beginning of the period	(1 200)	0
Taxes payable	-	(1 200)
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 2022 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 2022 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 2022	31 Dec 2021
Deferred tax assets - U.S. tax jurisdictions	26 208	13 081
Deferred tax liabilities - U.S. tax jurisdictions	-	-
Net deferred tax asset/(liability)	26 208	13 081

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

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Beginning of the period	13 081	8 448
Deferred tax benefit	13 127	4 633
Net deferred tax asset/(liability)	26 208	13 081

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 2021	18 598	-	18 598
(Charged)/credited to the consolidated income statement	(9 596)	25 403	15 807
31 December 2022	9 002	25 403	34 405

Deferred tax liability

Amounts in USD thousands	P,P&E	Work-in-process	Total
31 December 2021	(4 482)	(1 035)	(5 517)
(Charged)/credited to the consolidated income statement	(3 715)	1 035	(2 680)
31 December 2022	(8 197)	-	(8 197)

The balance comprises temporary differences attributable to:

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Deferred tax assets:		
Research & experimentation expenses	25 403	-
Work-in-process	1 984	-
Under-recovered overhead costs	3 184	8 084
State and city depreciation	3 166	1 625
Federal R&D tax credits	7 138	5 581
State R&D tax credits	1 430	-
Federal net operating losses	-	1 064
State and city net operating losses	5 410	9 806
Other items	1 179	1 945
	48 894	28 105
Deferred tax liabilities:		
Property, plant & equipment	8 197	4 482
Work-in-process	-	1 035
Valuation allowances	14 489	9 507
	22 686	15 024
Total deferred tax assets	26 208	13 081

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 2021	-	-
Change in deferred tax liability	-	-
31 December 2022	-	-

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 2022 of USD 60.1 million and USD 14.2 million, respectively, in the U.S. 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 50.4 million of state NOLs and USD 6.8 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 first 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. The beginning balance of this reserve amount at 1 January 2021 was USD 3.5 million. In 2021, the Company reserved an additional USD 1.4 million, leaving a reserve amount at 31 December 2021 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.

The Norwegian deferred tax assets of USD 7.6 million have not been recorded because the Company does not believe that they 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 2022 are shown below:

Amounts in USD thousands	Machinery and vehicles	Buildings	Land and land impro-vements	Assets under con-struction	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		

Movements in property, plant and equipment and right-of-use assets for 2021 are shown below:

Amounts in USD thousands	Machinery and vehicles	Buildings	Land and land impro-vements	Assets under con-struction	Total
Cost at 1 January 2021	59 572	63 958	20 583	3 229	147 342
Additions - Property, plant & equipment	-	-	-	14 770	14 770
Transfers	4 801	-	-	(4 801)	-
Cost at 31 December 2021	64 373	63 958	20 583	13 198	162 112
Depreciation and impairment losses at 1 January 2021	58 841	37 213	11 870	-	107 924
Depreciation - Property, plant & equipment	3 503	545	152	-	4 200
Depreciation - Right-of-use assets	72	723	422	-	1 217
Depreciation and impairment losses at 31 December 2021	62 416	38 481	12 444	-	113 341
Net book value at 31 December 2021 (2)	1 957	25 477	8 139	13 198	48 771
(2) Net book value of right-of-use assets under lease agreements recorded in the statement of financial position at 31 December 2021 (see note 13):	144	7 085	5 540	-	12 769
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 10.2 million at 31 December 2022 (USD 10.9 million at 31 December 2021).

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 IFRS16, the Shipyard will continue to use this policy to record the government grant under IAS 20 against the investment. This gives a USD 1.3 million balance for the right-of-use asset and a USD 1.5 million balance for the lease liability at 31 December 2022, 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 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 2022 is USD 2.1 million (USD 1.9 million at 31 December 2021).

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 2022 is USD 273 thousand (USD 0 at 31 December 2021).

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 2022 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 2022	31 Dec 2021
Prepaid ship materials deposits	50 426	56 830
Inventory	1 118	924
Prepayments other	766	858
Trade receivables and other receivables	47	2 511
Total	52 357	61 123

As of 31 December 2022, the Company has USD 50.4 million as prepayments to suppliers for materials and equipment for the construction of NSMVs 1-5 and SRIV 1.

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 2022	31 Dec 2021
Cash and bank deposits	137 586	255 003
Cash and cash equivalents in the statement of cash flows	137 586	255 003

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 2022	31 Dec 2021
Restricted cash long-term	45 420	43 096
Restricted cash short-term	10 011	1 396
Total	55 431	44 492

Restricted cash long-term represents cash collateral as required for the NSMV program for the payment and performance (P&P) bonds related to NSMVs 1-5 and cash deposited into a reserve fund for NSMV 3 per the contract. Restricted cash short-term represents reserve accounts established for NSMVs 1-2. 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.

The USD 1.4 million held in escrow at 31 December 2021 as restricted cash short-term for claims related to the second Matson vessel was released as a final warranty settlement was reached in 2022.

As of 31 December 2021, in conjunction with the awards of NSMVs 1-2 and NSMVs 3-4, the Company secured P&P bonds in the aggregate amount of USD 180.0 million. In 2022, in conjunction with the award of NSMV 5, the Company secured a P&P bond in the amount of USD 60.0 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 2021, cash collateral in the aggregate amount of USD 33.4 million was posted for NSMVs 1-4. In 2022, additional cash collateral of USD 7.0 million was posted for NSMV 5. Total cash collateral classified as restricted cash long-term amounts to USD 40.4 million as of 31 December 2022. 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 2021, the Company deposited a total of USD 10.0 million into a reserve fund as contractually required for NSMVs 1 and 2. In 2022, the Company deposited an additional USD 5.0 million into a reserve fund as contractually required for NSMV 3. It is anticipated that USD 5.0 million 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)	2022	2021
Total comprehensive loss attributable to equity holders of PHLY	(11 691)	(7 382)
Weighted average number of ordinary shares	12 107 901	12 107 901
Basic and diluted loss per share (USD)	(0.97)	(0.61)

At 31 December 2022 and 31 December 2021, 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 2022 or 2021.

There were no potentially dilutive securities outstanding as of 31 December 2022 and 31 December 2021.

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 2022, each with a par value of NOK 10, fully paid. As of 31 December 2022, there are no additional authorized shares.

NOTE 13: LEASES

Lease liabilities are payable as follows as of 31 December:

Amounts in USD thousands	Payments 2022	Interest 2022	Principal 2022	Payments 2021	Interest 2021	Principal 2021
Less than one year	472	186	286	392	70	322
More than one year	3 055	701	2 354	1 726	144	1 582
Total	3 527	887	2 640	2 118	214	1 904

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 agreement increased to USD 200 thousand per annum.

The shipyard lease is treated as a government grant under IAS 20. This gives a USD 1.3 million balance for the right-of-use asset and a USD 1.5 million balance for the lease liability at 31 December 2022, 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.

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Current balance as of 1 January	1 904	2 213
Remeasurement of leases	780	-
New leases	325	-
Repayment of lease liabilities	(369)	(309)
Current balance as of 31 December	2 640	1 904

NOTE 14: PENSION COSTS

Pension costs recognized in the consolidated income statement:

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Contribution plans (employer's contribution)	1 327	934
Total	1 327	934

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 2022 was USD 4.4 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 0.6 million to the Union Plan in 2023.

NOTE 15: OTHER PROVISIONS - WARRANTIES

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Current balance as of 1 January	1 973	1 787
Provisions made during the period	-	282
Provisions used during the period	(1 723)	(96)
Current balance as of 31 December	250	1 973

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 for USD 1.7 million in 2022 are for closing out settlement claims for the second containership vessel (Hull 030) 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 2022	31 Dec 2021
Ship material and subcontracting accruals	4 840	25 492
Employee-related cost accruals	3 962	2 920
Trade payables	10 890	15 277
Overhead and capital projects accruals	22 038	6 190
Total	41 730	49 879

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 2022, 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 2022 and 31 December 2021, the maximum exposure to credit risk is as follows:

Amounts in USD thousands	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	137 586	255 003
Restricted cash	55 431	44 492
Trade receivables	47	2 511
Total	193 064	302 006

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 2022						
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	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)

Amounts in USD thousands	31 December 2021						
	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	1 904	(2 118)	(196)	(196)	(392)	(1 229)	(105)
Trade payables	15 277	(15 277)	(15 277)	-	-	-	-
Total	17 181	(17 395)	(15 473)	(196)	(392)	(1 229)	(105)

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 Kroner), and KRW (Korean Won).

The Company had no forward contracts as of 31 December 2022 and 31 December 2021.

Exposure to foreign exchange risk

The Company's exposure to foreign exchange risk at 31 December 2022 and 31 December 2021 was as follows based on the following notional amounts:

	2022			2021		
Amounts in USD thousands	EUR	NOK	KRW	EUR	NOK	KRW
Balance sheet exposure:						
Trade payables (-)	(41)	-	-	(141)	(39)	-
Cash	-	65	-	-	56	-
Gross balance sheet exposure	(41)	65	-	(141)	17	-
Estimated forecast expenses (-)	(21 700)	-	(711)	(3 769)	-	-
Net balance sheet exposure	**(21 741)**	**65**	**(711)**	**(3 910)**	**17**	**-**

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 2022 and for 2021.

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 2022 or 31 December 2021.

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 2022 and 31 December 2021

Name	Position	2022 number of shares held	2021 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 2022 and 31 December 2021

		2022 remuneration		2021 remuneration	
Name	Position	(NOK)	(USD)	(NOK)	(USD)
Kristian Røkke	Board Chairman	475 000	48 188	475 000	53 859
Elin Karfjell	Board Member	375 000	38 043	375 000	42 520
Jan Petter Hagen	Board Member	250 000	25 362	-	-
Amy Humphreys	Deputy Board Chairperson	125 000	12 681	375 000	42 520
Total Directors' fees		1 225 000	124 274	1 225 000	138 899

No Board members received any remuneration other than Directors' fees. 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 55,000 (USD 5,580) and for each member is NOK 45,000 (USD 4,565). This is in addition to the amounts shown in the Board of Directors' table above.

Remuneration to the nomination committee

The nomination committee of Philly Shipyard ASA has the following members: Ingebret G. Hisdal (Chairperson) and Charlotte Håkonsen. Remuneration earned by each member of the committee in 2022 was NOK 34,000 (USD 3,449).

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.

Incentive/retention program for 2021

In 2021, the variable pay program was developed to be in line with, and build off of, the 2020 HSE incentive/retention program. This system of reward is designed to improve HSE performance and attain key project objectives while retaining key employees.

The 2021 incentive/retention program is based on the achievement of HSE targets and key project targets, as well as retention.

The 2021 incentive/retention program for the President and CEO and other members of the Management Team represents a potential for an additional variable pay up to 28% of base salary.

The 2021 incentive/retention program has minimal effects on the Company and the shareholders on the basis that remuneration is not granted in the form of shares (i.e., no risk of dilution effect) and has reduced cash payments compared to the program in place prior to 2020.

Annual variable pay programs for 2022 and 2023

In 2022, the Board resumed the "traditional" annual variable pay (AVP) program, which was in place prior to the introduction of the incentive/ retention program in 2020 and 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 2022 and 2023 AVP programs are 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 2022 and 2023 AVP programs include 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 21 months after the base award.

The 2022 and 2023 AVP programs have minimal effects on the Company and the shareholders on the basis that remuneration is not granted in the form of shares (i.e., no risk of dilution effect).

Accrued but unpaid variable compensation under the 2022 AVP program for the President and CEO and for the CFO as of 31 December 2022 is USD 133,601 and USD 72,229, respectively.

Remuneration paid 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	111 180	32 000	73 556	665 815	12 months
Jeffrey Theisen	CFO	1 Jan - 31 Dec	283 250	70 125	16 166	11 768	381 309	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 a payment under the 2021 HSE/retention program;
Mr. Theisen's variable pay in 2022 consisted of a payment under the 2021 HSE/retention program.

Remuneration paid to Senior Management for 2021 (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	435 999	137 340	32 000	73 097	678 436	12 months
Jeffrey Theisen	CFO	1 Jan - 31 Dec	275 000	20 472	15 723	9 263	320 458	12 months

(1) PHLY has no employees. The Senior Management is employed in the operating company.
(2) Mr. Nerbøvik's variable pay in 2021 consisted of a payment under the 2020 variable pay program, as well as a deferred payment under the 2019 variable pay program (USD 106,820 and USD 30,520, respectively).
Mr. Theisen's variable pay in 2021 consisted of a prorated payment under the 2020 variable pay program.

NOTE 19: PHLY COMPANIES

Company name	Incorporation State	Incorporation Country	Ownership %
Philly Shipyard, Inc.	Pennsylvania	USA	100.0%
APSI Tanker Holdings II, LLC	Delaware	USA	100.0%
PSI Containership Holdings, Inc.	Delaware	USA	100.0%

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

Government grants

For the year ended 31 December 2022, the Shipyard received USD 167 thousand for reimbursement of employee training costs from various governmental agencies (USD 29 thousand in 2021).

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 (USD 640 thousand in 2021).

Other commitments and contingencies

PSI is required to pay a common area maintenance charge each month of approximately USD 58 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 2022.

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 2022. Kristian Røkke, the Chairman of the Board of Directors of PHLY, is a board member of TRG Holding AS, which owns 66.7% of the total outstanding shares of Aker ASA as of 31 December 2022. 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 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. Pursuant to the standby letter of credit, PSI is not permitted to pay any dividends without the bank's consent. Aker Capital AS holds 50.0% of the commitment. As of 31 December 2022, Philly Shipyard has paid fees of USD 544 thousand 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 2022	Expenses 2021
Aker U.S. Services LLC	132	125
Aker Insurances AS	358	228
Aker ASA	549	6

NOTE 22: SUBSEQUENT EVENTS AFTER 31 DECEMBER 2022

On 8 February 2023, a new four-year collective bargaining agreement was ratified by the Philadelphia Metal Trades Council (PMTC).


United Rentals
4807S

Income Statement

Amounts in USD thousands	Note	2022	2021
Operating revenues		-	-
Operating expenses	2	(598)	(473)
Operating loss		**(598)**	**(473)**
Interest income earned from subsidiaries		-	-
Interest expense payable to subsidiaries		(1 094)	(1 017)
Other interest income and financial income		58	11
Other interest expense and financial expense		(60)	(42)
Loss before tax		**(1 694)**	**(1 521)**
Income tax benefit	4	-	119
Net loss after tax		**(1 694)**	**(1 402)**
Allocation of net loss:			
Net loss after tax		(1 694)	(1 402)
Other equity	5	1 694	1 402

Statement of Financial Position

as of 31 December

Amounts in USD thousands	Note	2022	2021
ASSETS			
Shares in subsidiary	6	67 000	67 000
Total non-current assets		67 000	67 000
Prepayments and other receivables		108	14
Cash and cash equivalents	6	79	159
Total current assets		187	173
TOTAL ASSETS		67 187	67 173
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		3 922	5 616
Total equity	5	39 128	40 822
Loan from subsidiary	8	27 851	26 160
Total non-current liabilities		27 851	26 160
Trade payables and accrued liabilities		208	191
Total current liabilities		208	191
Total liabilities		28 059	26 351
TOTAL EQUITY AND LIABILITIES		67 187	67 173

Oslo, Norway - 17 March 2023
Board of Directors Philly Shipyard ASA

Kristian Røkke
Board Chairman

Jan Petter Hagen
Board Member

Elin Karfjell
Board Member

Steinar Nerbøvik
President and CEO

Cash Flow Statement

Amounts in USD thousands	2022	2021
Loss before tax	(1 694)	(1 521)
Payment-in-kind interest expense payable to subsidiary	1 091	1 017
Income taxes paid	-	(294)
Change in prepayments and other receivables	(94)	61
Change in trade payables and accrued liabilities	17	(130)
Net cash flow used in operating activities	(680)	(867)
Net cash flow used in investing activities	-	-
Loan proceeds from subsidiary	600	650
Net cash flow from financing activities	600	650
Net change in cash and cash equivalents	(80)	(217)
Cash and cash equivalents as of 1 January	159	376
Cash and cash equivalents as of 31 December	79	159

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 2022 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 2022 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	2022	2021
Audit fees	29	35
Other audit and attestation fees	-	-
Total	**29**	**35**

PHLY has no employees. The Senior Management is employed in the operating company. Fees to the Board of Directors of USD 178 thousand and USD 171 thousand were expensed in 2022 and 2021, 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 2022 and equity at the end of 2022 are (in USD thousands):

Results after-tax 2022	(9 998)
Equity at 31 December 2022	101 645

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 2022.

NOTE 4: TAXES

The table below shows the difference between book and tax values by the end of 2022 and 2021 and the amounts of deferred taxes at these dates and the change in deferred taxes.

Amounts in USD thousands	2022	2021
Losses carried forward	6 598	1 424
Other temporary differences	996	2 091
Total differences	**7 594**	**3 515**
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	2022	2021
Loss before tax measured in NOK for taxation purposes	(1 694)	(1 521)
Change in temporary differences	20	(53)
Interest limitation	1 070	1 025
Foreign currency impact	604	549
Estimated income for tax purposes	**-**	**-**
Income tax payable, 22%/22%	**-**	**-**

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

Amounts in USD thousands	2022	2021
Income tax payable	-	-
Change in deferred tax liability	-	-
Foreign currency impact	-	-
Excessive accrued income tax payable from prior year	-	119
Income tax benefit	**-**	**119**

The Norwegian deferred tax assets of USD 7.6 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 2022	22 664	22 511	(9 969)	35 206	5 616	40 822
Net loss for the year 2022	-	-	-	-	(1 694)	(1 694)
Equity as of 31 December 2022	22 664	22 511	(9 969)	35 206	3 922	39 128

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 2022.

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

Twenty largest shareholders
(as of 31 December 2022)

Shareholders	Number of shares held	Ownership (in %)
Aker Capital AS	7 237 631	57.6%
J.P. Morgan Securities LLC	1 168 231	9.3%
Goldman Sachs & Co. LLC	678 369	5.4%
Philly Shipyard ASA	466 865	3.7%
J.P. Morgan Securities LLC	270 351	2.1%
Nordnet Livsforsikring AS	171 577	1.4%
Interactive Brokers LLC	120 283	0.9%
Citibank	99 845	0.8%
Tor-Fredrik Naevdal	65 616	0.5%
Nordnet Bank AB	60 184	0.5%
Sivert Berg	49 995	0.4%
Peter Myhre	45 000	0.3%
Kristian Falnes AS	40 000	0.3%
Ronny Kandal	34 000	0.3%
Citibank	33 770	0.3%
Ramadan Kovaci	32 005	0.3%
Heggum Holding AS	31 608	0.3%
Martin Jakob Nagell	30 000	0.2%
Inge Holter	29 100	0.2%
Jarle Kringlebotten	29 000	0.2%
Total, 20 largest shareholders	10 693 430	85.0%
Other shareholders	1 881 336	15.0%
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 Matson Navigation Company, Inc. for the CV project.

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 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 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 2022 and 2021 were USD 140 thousand and USD 112 thousand, respectively.

As of 1 January 2020, PSI had a USD 31.0 million loan due to PHLY, and PHLY had a USD 55.0 million loan due to PSI. In March 2020, the USD 31.0 million loan due to PHLY was canceled and the USD 55.0 million loan due to PSI was reduced by an equal amount. Additionally, in September 2020, the remaining USD 24.0 million loan due to PSI was amended to allow for payment-in-kind quarterly interest payments at the option of PHLY. As of 31 December 2022, USD 27.9 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 2022, 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 2022, the 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 a summary of significant accounting policies.

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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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.

This is our first year as the auditor of the Company after the election by the general meeting of the shareholders on 20 April 2022 for the accounting year 2022.

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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.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition from construction contracts Philly Shipyard ASA recognizes 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 Management judgment has a material effect on the financial statements. Specifically, Management judgment impacts both revenue, and customer advances, net. Estimating total forecasted project costs related to vessel construction represents the key Management judgment. 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. Note 2 and the accounting principles include information on Philly Shipyard ASA's construction contracts and how Management exercises their judgment.	We obtained an understanding of construction contracts in Philly Shipyard ASA by reviewing the contracts, and through discussions with Management. Based on our understanding of the Company'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 judgements were reasonable. Specifically, we: • Interviewed both project and finance Management in order to understand the Company'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 Company'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. • 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

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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 note 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 appear 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 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 and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and 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.

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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, related safeguards.

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 "549300HMTSHZZD4YR890-2022-12-31-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

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 17 March 2023
PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant

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Shares and Shareholder Matters

Philly Shipyard ASA (referenced to herein as "PHLY" or the "Company") 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.

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. In line with this objective, PHLY has paid out significant dividends in the past.

Given the award of the contract for the National Security Multi-Mission Vessel (NSMV) program and related capital requirements, on 14 July 2020, 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 priorities are to retain a strong balance sheet and cash position. Accordingly, no dividends are contemplated until further notice."

In 2022, PHLY did not pay any dividends. The PHLY Board does not foresee payment of shareholder distributions, including dividends and share buybacks, sooner than the delivery of the third NSMV.

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 2023 that the Board of Directors is granted an authorization to pay dividends based on PHLY's annual accounts for 2022, valid up to PHLY's annual general meeting in 2024. 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 2022, 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 2022 accounts). As of 31 December 2022, PHLY had 1,393 shareholders, of whom 64 shareholders, or 4.6%, 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 2022.

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

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 2020	-	-	-	-
31 December 2020	-	125 747 660	12 574 766	10.00
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

matters in the best interests of the involved companies, in accordance with good corporate governance practice. If needed, external, independent opinions are sought.

CURRENT BOARD AUTHORIZATIONS

As of 31 December 2022, 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 2023. For more details, please see "Board authorizations" on pages 77-78.

STOCK OPTION PLANS

As of 31 December 2022, Philly Shipyard ASA has no stock option program.

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).

TWENTY LARGEST SHAREHOLDERS
(as of 31 December 2022)

Shareholders	Number of shares held	Ownership (in %)
Aker Capital AS	7 237 631	57.6%
J.P. Morgan Securities LLC	1 168 231	9.3%
Goldman Sachs & Co. LLC	678 369	5.4%
Philly Shipyard ASA	466 865	3.7%
J.P. Morgan Securities LLC	270 351	2.1%
Nordnet Livsforsikring AS	171 577	1.4%
Interactive Brokers LLC	120 283	0.9%
Citibank	99 845	0.8%
Tor-Fredrik Naevdal	65 616	0.5%
Nordnet Bank AB	60 184	0.5%
Sivert Berg	49 995	0.4%
Peter Myhre	45 000	0.3%
Kristian Falnes AS	40 000	0.3%
Ronny Kandal	34 000	0.3%
Citibank	33 770	0.3%
Ramadan Kovaci	32 005	0.3%
Heggum Holding AS	31 608	0.3%
Martin Jakob Nagell	30 000	0.2%
Inge Holter	29 100	0.2%
Jarle Kringlebotten	29 000	0.2%
Total, 20 largest shareholders	10 693 430	85.0%
Other shareholders	1 881 336	15.0%
Total shareholders	12 574 766	100.0%

OWNERSHIP STRUCTURE BY NUMBER OF SHARES HELD
(as of 31 December 2022)

Shares owned	Number of shareholders	% of share capital
1 - 100	452	0.1%
101 - 1 000	579	2.0%
1 001 - 10 000	302	7.4%
10 001 - 100 000	53	10.0%
100 001 - 500 000	4	8.2%
Over 500 000	3	72.3%
Total	1 393	100.0%

NOMINATION COMMITTEE

PHLY's nomination committee has the following members: Ingebret G. Hisdal and Charlotte Håkonsen. Shareholders who wish to contact Philly Shipyard'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.

2022 SHARE DATA

PHLY's total market capitalization as of 31 December 2022 was NOK 572 million. During 2022, a total of 2,550,464 Philly Shipyard ASA shares traded, corresponding to 0.203 times PHLY's freely tradable stock. The shares traded on 253 trading days in 2022.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS
(as of 31 December 2022)

Shareholders	Number of shares held	Ownership (in %)
Norwegian shareholders	9 982 777	79.4%
Non-Norwegian shareholders	2 591 989	20.6%
Total	12 574 766	100.0%

SHARE PRICE DEVELOPMENT IN 2022
(2022 share data)

Highest traded (in NOK)	63.1
Lowest traded (in NOK)	42.9
Share price as of 31 December (in NOK)	45.5
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	12 574 766
Market capitalization as of 31 December (in NOK millions)	572
Proposed share dividend (NOK per share)	-

SHARE PRICE DEVELOPMENT
(2020 - 2022)
NOK / share

Corporate Governance

Philly Shipyard ASA (referenced to herein as "PHLY" or the "Company") 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 zero tolerance for corruption and, in 2015, the Board approved an Anti-Corruption Policy that is in-line with the anti-corruption policies in place at other Aker ASA-related companies. PHLY works to promote a sustainable and responsible company that is driven by good results and the demands for social responsibility.

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 three members where one is a 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 2023 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

PHLY's equity as of 31 December 2022 amounted to USD 73.8 million, which corresponds to an equity ratio (total equity divided by total assets) of approximately 21%. PHLY regards its current equity structure as appropriate and adapted to its objectives, strategy and risk profile.

Dividends

PHLY's dividend policy is included in the section "Shares and shareholder matters" (see page 74). 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 priorities are to retain a strong balance sheet and cash position. 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, sooner than the delivery of the third National Security Multi-Mission Vessel (NSMV).

Board authorizations

It is the intention that the Board's proposals for future Board authorizations to issue

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

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.

To facilitate the potential payment of dividends in accordance with PHLY's dividend policy, the Board has an authorization to pay dividends based on PHLY's annual accounts for 2021.

The Board has 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.

The Board has 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.

The Board has 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 2023.

The Board currently has no other authorizations to issue shares or undertake share buybacks. The Board will propose to the annual general meeting in 2023 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 deadline for shareholders to register to the general meetings is set as close to the date of the meeting as possible and the deadline for registration may not expire earlier than five days prior to the date of the meeting. Due to upcoming changes to the Norwegian Public Limited Liability Companies Act, the Company will propose to the annual general meeting in 2023 that the Articles of Association are amended so that there will be no such deadline for registration of attendance to the general 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, https.newsweb.oslobors.no (ticker: PHLY) and on PHLY's home page www.phillyshipyard.com, under the heading "News Room".

NOMINATION COMMITTEE

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

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.

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 three 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, one of the three shareholder-elected Board members, Elin Karfjell, is 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 page 82 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.

One of the three shareholder-elected Board members is up for election in 2023. In addition, the Nomination Committee has nominated a fourth Board member for election in 2023. 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 2022, 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, 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.

The Board of PHLY established an audit committee in 2010. The audit committee consists 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 23-25 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 2022 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 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. The Company will propose to the annual general meeting in 2023 that the guidelines currently approved by the shareholders are changed to facilitate remuneration in the form of shares in the Company. 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. Further information on remuneration for 2022 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 on pages 54-55 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 74-76.

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 Akastor ASA, a Director of TRG Holding AS, American Shipping ASA, Aker Carbon Capture AS, Aker Offshore Wind AS, and Abelee 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 Okonomisk College (Hoyskolen i Oslo) and a CPA from the Norwegian School of Economics and Business Administration. 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 2021-2023. Ms. Karfjell serves as an independent director.

Presentation of the Management Team

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 Norwegian citizen. As of 1 February 2023, 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 2023, 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 2023, Mr. Grabelle 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 2023, 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 2023, Mr. Giantomaso holds zero shares in the company and has no stock options.

JAMES H. MILLER
Senior Advisor

James H. Miller (b. 1955) was appointed Senior Advisor to Philly Shipyard, Inc. in April 2020 following previous tenures as CEO from 2008-2011 and Chairman of the Board from 2011-2014 and 2016-2020. Mr. Miller has significant executive experience in shipbuilding and large industrial engineering/construction projects and services. Mr. Miller currently sits on the Board of Directors for three U.S. public companies. Mr. Miller holds a Bachelor of Arts from the University of Edinboro (PA). Mr. Miller lives in Washington, PA, USA. Mr. Miller is a U.S. citizen. As of 1 February 2023, Mr. Miller holds zero shares in the company and has no stock options.

THOMAS GRUNWALD

Vice President

Thomas Grunwald (b. 1978) joined Philly Shipyard, Inc. in the role of Senior Consultant in May 2019 before being promoted in July 2020 to Commercial Director. In September 2021, Mr. Grunwald was elevated to his current position of 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 2023, Mr. Grunwald 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 2023, Mr. Matz holds zero shares in the company and has no stock options.

NICOLAI HAUGLAND

Vice President

Nicolai Haugland (b. 1993) is Vice President of Philly Shipyard ASA. In addition to this responsibility Mr. Haugland serves as Investment Associate for Aker ASA. Prior to joining Aker ASA in 2019, Mr. Haugland worked for two years as an Associate in Investment Banking at Pareto Securities. Mr. Haugland holds an MSc in Finance from The London School of Economics (LSE) and a BSc in Economics (Honors) from The University of Warwick. Mr. Haugland lives in Oslo, Norway. Mr. Haugland is a Norwegian citizen. As of 1 February 2023, Mr. Haugland owns 700 shares in the company through his private company Elysium AS and has no stock options.


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DISCLAIMER

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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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