

## THE BOARD OF DIRECTORS' REASONING AND PROPOSAL FOR THE RESOLUTIONS TO BE PASSED

**Item 4 Approval of the 2018 annual accounts of Philly Shipyard ASA, group consolidated accounts and the Board of Directors' report.**

The annual report which comprises the annual accounts, the Board of Directors' report and the audit opinion for 2018, is available at the Company's website: [www.phillyshipyard.com](http://www.phillyshipyard.com).

The Board of Directors proposes that the General Meeting passes the following resolution:

*"The General Meeting approves the annual accounts for 2018 for Philly Shipyard ASA, the group consolidated accounts and the Board of Directors' Report."*

**Item 5 Consideration of the Board of Directors' declaration regarding stipulation of salary and other remuneration to the executive management of the Company.**

In accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors has prepared a statement on the determination of salary and other remuneration to the executive management of the Company. The statement is available at the Company's website.

The General Meeting's approval of the guidelines is of an advisory nature to the Board of Directors. The Company does not grant remuneration to the executive management in the form of shares, subscription rights, options, and other forms of remuneration linked to shares or the development of the share price in the Company or in other companies within the group, that require preparation of binding guidelines in such respect.

The Board of Directors proposes that the General Meeting passes the following resolution:

*"The General Meeting supports the Board of Directors' statement regarding establishment of salary and other benefits for the executive management pursuant to the Public Limited Liability Companies Act section 6-16a."*

**Item 7 Stipulation of remuneration to the members of the Board of Directors and the Audit Committee.**

The recommendations from the Nomination Committee are available at the Company's website.

The Nomination Committee proposes that the General Meeting passes the following resolution:

*"In accordance with the proposal from the Nomination Committee, the General Meeting approves that the remuneration rates for members of the Board of Directors*

*and the Audit Committee for the period from the 2018 Annual General Meeting up to the 2019 Annual General Meeting shall be as follows:*

- *NOK 350,000 to the Chairperson of the board*
- *NOK 240,000 to each of the other board members*
- *NOK 50,000 to the Chairperson of the audit committee*
- *NOK 40,000 to each of the remaining audit committee members."*

**Item 8 Stipulation of remuneration to the members of the Nomination Committee.**

The recommendations from the Nomination Committee are available at the Company's website.

The Nomination Committee proposes that the General Meeting passes the following resolution:

*"In accordance with the proposal from the Nomination Committee, the General Meeting approves that the remuneration rate for members of the Nomination Committee for the period from the 2018 Annual General Meeting up to the 2019 Annual General Meeting shall be NOK 34,000 for each member."*

**Item 9 Approval of remuneration to the auditor for 2018.**

It is proposed that the auditor's fees for the 2018 audit of the Company, totalling USD 31,000, are approved. The amount represents the fees to KPMG for the annual audit for 2018 for the parent company Philly Shipyard ASA, and does not include fees related to the audits of the Company's subsidiaries for 2018 or for other services.

Note 5 to the consolidated financial statements for 2018 provides disclosure of the fees to the auditor for the Company and its subsidiaries.

Note 2 to the Company's financial statements for 2018 provides disclosure of the fees to the Company's auditor for professional services to the Company.

The Board of Directors proposes that the General Meeting passes the following resolution:

*"The remuneration to the auditor of USD 31,000 ex. VAT for the audit of the Company's 2018 annual accounts is approved. In addition, the Group has paid fees to KPMG of USD 22,000 ex. VAT for services other than audit."*

**Item 10 Election of member to the Board of Directors.**

The recommendations from the Nomination Committee are available at the Company's website. The Nomination Committee proposes that the General Meeting passes the following resolution:

*"In accordance with the proposal from the Nomination Committee, Elin Karfjell is re-elected as member of the Board for a period of two years.*

*The Board of Directors of Philly Shipyard ASA will then consist of the following members:*

*Jim Miller (Chairman)*

*Kristian Røkke (Deputy Chairman)*

*Elin Karfjell*

*Amy E. Humphreys."*

**Item 11 Election of members to the Nomination Committee.**

The recommendations from the Nomination Committee are available at the Company's website.

The Nomination Committee proposes that the General Meeting passes the following resolution:

*"In accordance with the proposal from the Nomination Committee, Leif-Arne Langøy, Gerhard Heiberg and Arild Støren Frick are re-elected as members of the Nomination Committee for a period of two years.*

*The Nomination Committee of Philly Shipyard ASA will then consist of the following members:*

*Leif-Arne Langøy (Chair)*

*Gerhard Heiberg*

*Arild Støren Frick."*

**Item 12 Authorization to the Board of Directors for payment of dividends.**

To facilitate for potential payment of dividend, the Board of Directors proposes that the General Meeting passes the following resolution:

*"The General Meeting grants the Board of Directors authorization to resolve payment of dividends based on the Company's annual accounts for 2018. The authorization is valid up to the Annual General Meeting in 2020."*

**Item 13 Authorization to the Board of Directors to acquire own shares in connection with acquisitions, mergers, de-mergers or other transactions.**

The Board of Directors proposes that the General Meeting passes the following resolution:

- 1. The Board of Directors is authorized to acquire and pledge own shares with a total nominal value of NOK 12,574,766.*
- 2. The authorization is valid up to the Annual General Meeting in 2020, but no longer than June 30, 2020.*
- 3. Own shares shall be acquired for a consideration of minimum NOK 1 and maximum NOK 600 per share.*
- 4. The Board of Directors is free to decide the method of acquisition and disposal of own shares. The authorization can be used in situations as described in the Securities Trading Act section 6-17.*
- 5. The authorization can only be used for the purpose of utilising the company's shares as transaction currency in acquisitions, mergers, de-mergers or other transactions.*

**Item 14 Authorization to the Board of Directors to acquire own shares for the purpose of investment or subsequent sale or deletion of such shares.**

The Board of Directors proposes that the General Meeting passes the following resolution:

- 1. The Board of Directors is authorized to acquire and pledge own shares with a total nominal value of NOK 12,574,766.*
- 2. The authorization is valid up to the Annual General Meeting in 2020, but no longer than June 30, 2020.*

3. *Own shares shall be acquired for a consideration of minimum NOK 1 and maximum NOK 600 per share.*
4. *The Board of Directors is free to decide the method of acquisition and disposal of own shares. The authorization can be used in situations as described in the Securities Trading Act section 6-17.*
5. *The authorization can only be used to purchase own shares for investment purposes or subsequent sale or deletion of such shares.*

**Item 15 Authorization to the Board of Directors to increase the share capital in connection with new shipbuilding projects or other future investments within the Company's scope of operations.**

The Board of Directors proposes that the General Meeting passes the following resolution:

1. *The Board of Directors is authorized to increase the share capital by up to NOK 12,574,766.*
2. *The authorization is valid up to the Annual General Meeting in 2020, but no longer than June 30, 2020.*
3. *The pre-emptive rights of the existing shareholders pursuant to section 10-4 of the Public Limited Liability Company's Act may be derogated from.*
4. *The authorization includes share capital increase against non-cash contributions, rights to assume special obligations on behalf of the Company in addition to resolution of merger and demerger, cf. the Public Limited Liability Company's Act section 13-5 and 14-6 (2). The authorization can be used in situations as described in the Securities Trading Act section 6-17.*
5. *The authorization can only be used to raise equity capital for new shipbuilding projects or other future investments within the Company's scope of operations.*