

**Integrated  
Annual Report  
2018**



**Leading  
the Blue  
Revolution**

**MOWI<sup>®</sup>**

## UNLOCKING THE POTENTIAL OF THE SEA

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# 2018

## Controlling our value chain

Since our pioneering days in 1964, we have continued to invest in our full value chain and today enjoy full control of our product: from the parental broodstock through to sales. It's a remarkable story. Just a few decades ago our founders were growing fish in netted bays and mixing fish feed by hand.

Over 50 years later, our investment in areas such as genetics, feed nutrition, value-added processing and transportation has transformed our business and now place us in a leading position that few food producing companies can boast.

**2019**  
Looking forward to launching our amazing brand, MOWI

The salmon from the Vosso and Årøy were caught.



**1964**

The adventure of Mowi begins.



**1969**

First stocking of salmon smolt in seawater. Hydro buys 50% of Mowi.

**1976** The Mowi breeding adventure started.



**1975**

Mowi becomes a recognised brand.

**1993** Mowi began MAP production, making our product more convenient and available to consumers.



**1980–2005**

Several M&As and Norsk Hydro takes 100% ownership of Mowi and finally changes name to Marine Harvest.

Our salmon enjoyed its first Marine Harvest feed.



**2006–07**

Marine Harvest Group is established from three independent companies; Pan Fish, Marine Harvest and Fjord Seafood.



**2012**

Marine Harvest establishes its own feed division with factory, strengthening a fully integrated value chain.



**2013**

Morpol becomes a part of the group.



**2017–18**

Acquisition of Gray Aqua Group and Northern Harvest in Canada East.



**2018**

Marine Harvest once again becomes Mowi.

### BUSINESS AREAS



Feed



Farming



Sales and Marketing

### INTEGRATED VALUE CHAIN

BREED FEED SMOLT AT SEA HARVESTING PROCESSING NEW PRODUCT DEVELOPMENT FOOD

Scan the QR code with your Smart phone to view our 360 film about the Mowi integrated value chain.



## Business areas

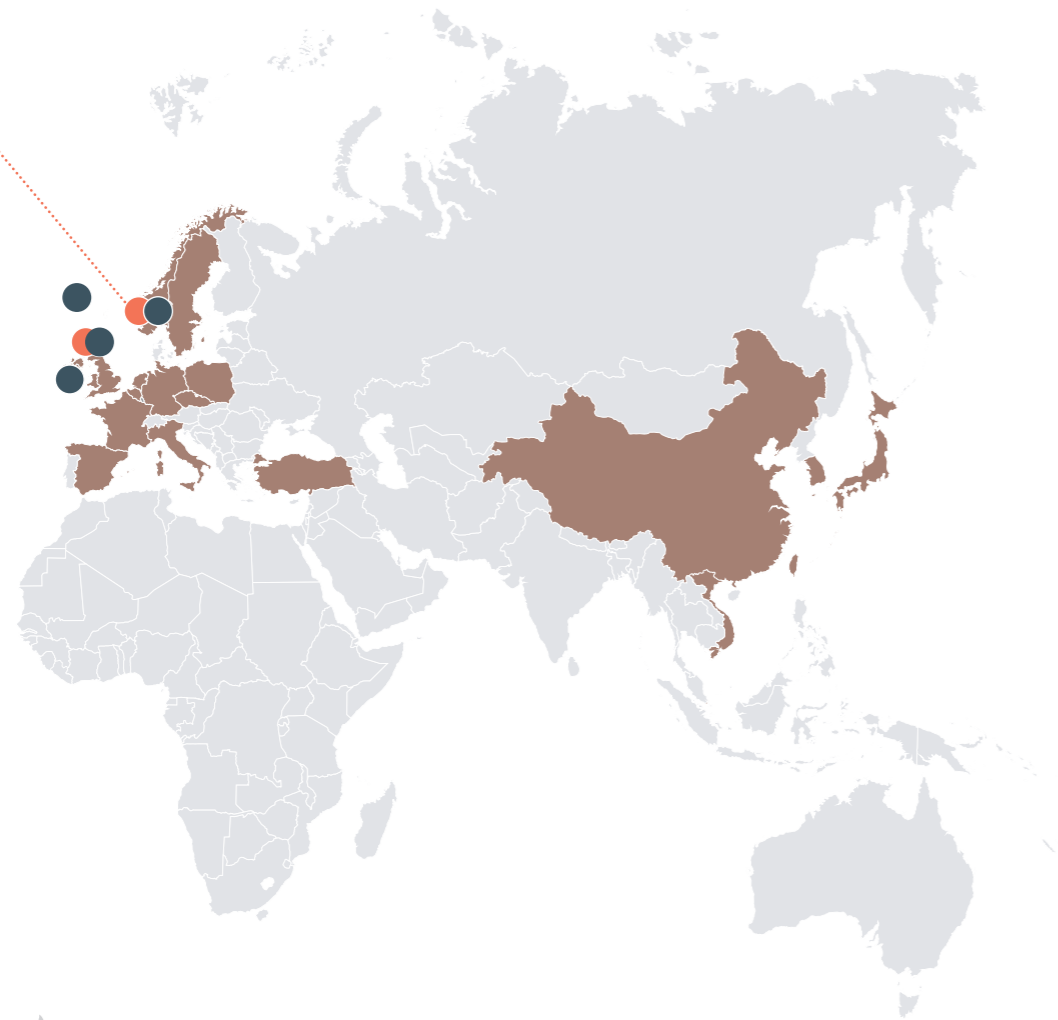
Mowi is the world's largest producer of farmed salmon, both by volume and revenue, offering seafood products to approximately 70 countries world-wide. We are represented in 25 countries, employing 14 537 people.

### Headquarter/ Corporate

Location; Bergen  
62 FTE



Providing our customers with **6.4 million** meals a day



	Guidance 2019	2018	2017	GWT			FTE
				2016	2015	2014	
<b>Farming</b>							
Norway	236 000	230 427	210 152	235 962	254 751	258 021	1 622
Chile	62 500	53 165	44 894	45 046	50 144	48 858	1 239
Canada	55 000	39 267	39 389	36 931	62 482	67 504	1 029
Scotland	60 000	38 444	60 186	43 349	40 112	26 697	752
Ireland	9 000	6 238	9 745	8 441	9 736	6 260	240
Faroes	7 500	7 697	5 980	10 893	2 923	11 532	75
<b>Total</b>	<b>430 000</b>	<b>375 237</b>	<b>370 346</b>	<b>380 621</b>	<b>420 617</b>	<b>419 422</b>	<b>4 958</b>

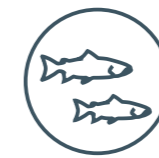
FTE = Full time equivalent in 2018 GWT = Gutted weight equivalent tonnes in 2018

## WE ARE ORGANIZED INTO THREE BUSINESS AREAS



### Feed

Comprises our first feed plant, located in Norway. A new feed plant will open in Kyleakin on the Island of Skye, Scotland, in first half of 2019.



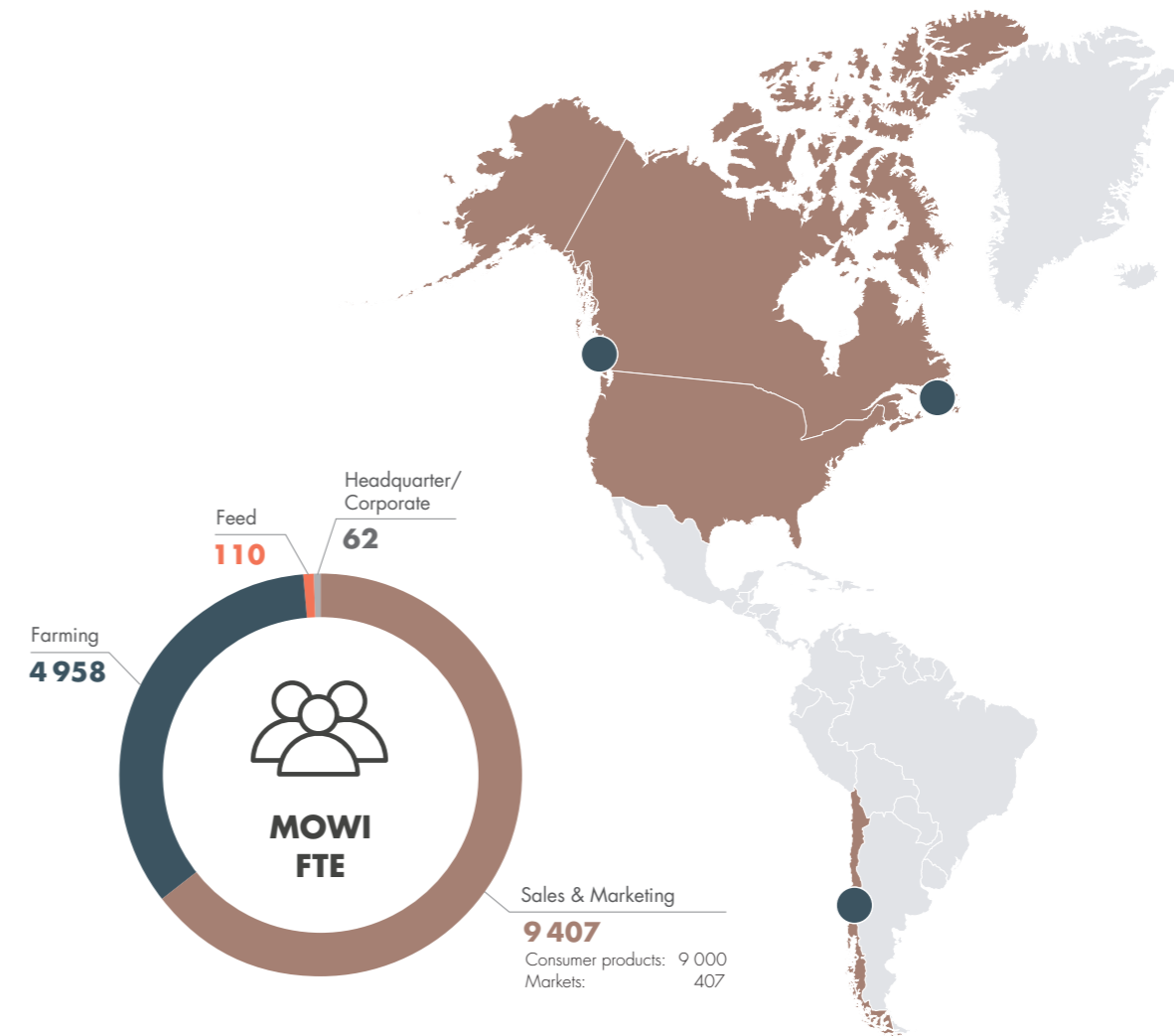
### Farming

Comprises our farming operations, some primary processing and filleting activities, in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands.



### Sales and Marketing

Consist of our secondary processing and value added operations in Europe, the US and Asia, and sales, logistics and delivery of our products obtained from our farming operations.



Sales & Marketing	FTE
Europe	7 458
Asia	1 283
Americas	667
<b>Total</b>	<b>9 407</b>

Feed	Production Capacity	Produced in Norway					FTE
		2018	2017	2016	2015	2014	
Norway	350 000	348 402	305 174	310 242	281 655	128 807	73
Scotland	170 000						37
<b>Total</b>	<b>520 000</b>						<b>110</b>

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# Unlocking the potential of the sea

This integrated report sets out how we run our business, it describes our vision and ambition, our successes and our disappointments – all of them in an open and transparent way. At the end of the day, all of us working at Mowi have a clear and simple goal; we wish to produce affordable, high quality products in a sustainable way, and **this report tells the story** of how we work to accomplish that target.

# 1



## Key figures

(EUR MILLION) YEAR	2018	2017	2016	2015	2014
<b>REVENUES &amp; COST</b>					
Revenue and other income	<b>3 811.9</b>	3 649.4	3 510.2	3 112.4	3 053.2
Harvest volume of salmonids (GWT)	<b>375 237</b>	370 346	380 621	420 148	418 873
Value-added share of sales	<b>50.9%</b>	48.3%	46.3%	45.4%	43.2%
Cost in box (EUR/kg)	<b>4.12</b>	4.16	4.00	3.68	3.27
Market price of salmon (EUR/kg)	<b>6.19</b>	6.31	6.72	4.60	4.80
<b>PROFITABILITY</b>					
Operational EBITDA	<b>906.2</b>	942.5	842.7	486.6	624.3
Operational EBIT	<b>752.8</b>	792.1	700.2	346.8	508.7
EBIT *	<b>925.4</b>	484.9	991.2	345.3	434.5
Operational EBIT (EUR per kg harvested salmonid)	<b>2.01</b>	2.14	1.84	0.83	1.21
Profit or loss for the year	<b>567.2</b>	462.7	539.3	158.3	112.4
Cash flow from operations	<b>620.9</b>	632.4	693.2	233.3	471.5
Net cash flow per share (EUR)	<b>0.51</b>	0.74	1.23	(0.02)	0.80
ROCE %	<b>24.9%</b>	26.7%	28.1%	13.1%	20.9%
<b>BALANCE SHEET</b>					
Gross investments	<b>346.2</b>	254.9	211.6	215.8	210.6
Total assets	<b>5 145.1</b>	4 330.3	4 810.4	4 196.1	4 119.7
Net interest-bearing debt	<b>1 037.2</b>	831.9	890.0	999.7	1 032.6
Equity %	<b>56.0%</b>	53.5%	43.0%	45.2%	39.8%
Equity (owners of Mowi)	<b>2 879.0</b>	2 314.2	2 068.4	1 894.6	1 638.1
<b>THE SHARE</b>					
Total market value OSE (NOK million)	<b>94 280</b>	68 133	70 078	53 830	42 228
Number of shares (million)	<b>516.0</b>	490.2	450.1	450.1	410.4
Earnings per share (EUR) - basic	<b>1.15</b>	0.97	1.20	0.36	0.27
Underlying earnings per share (EUR)	<b>1.11</b>	1.23	1.13	0.84	0.68
Dividend declared and paid per share (NOK)	<b>10.40</b>	12.40	8.60	8.30	2.25
<b>PEOPLE</b>					
Number of employees (FTE)	<b>14 537</b>	13 233	12 717	12 454	11 715
LTI per million Hours worked	<b>5.2</b>	6.6	9.9	11.4	11.4
Absenteeism	<b>5.0%</b>	5.2%	5.7%	4.8%	5.0%
<b>ENVIRONMENT</b>					
ASC certifications	<b>78 (34%)</b>	72 (31%)	59 (26%)	39 (24%)	8 (4%)
FIFO	<b>0.75</b>	0.73	0.77	0.74	0.80
<b>R&amp;D AND INNOVATION EXPENDITURE</b>					
	<b>43.9</b>	43.6	51.3	26.3	15.6

\* including income from associated companies.

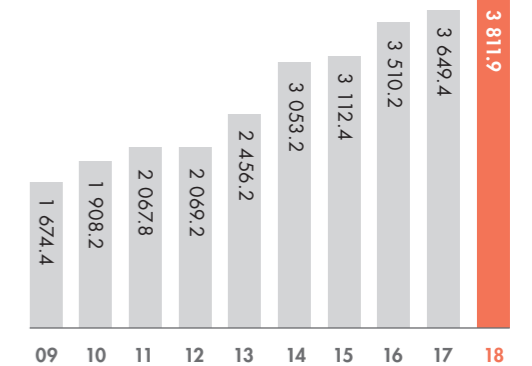
See also achievement on ambitions for more detailed figures on our four guiding principles Profit, Planet, Product and People.

For definitions of key figures, see the description of Alternative Performance targets.

	2013	2012	2011	2010	2009
	2 456.2	2 069.2	2 067.8	1 908.2	1 674.4
	343 772	392 306	342 820	295 010	327 100
	35.8%	34.6%	NA	NA	NA
	3.41	3.24	3.11	—	—
	5.07	3.60	3.97	4.78	3.56
	508.5	176.7	433.7	480.0	253.3
	411.0	86.1	348.3	398.5	174.5
	596.4	129.6	155.0	557.1	154.4
	1.20	0.22	1.02	1.35	0.53
	321.8	54.7	143.0	384.3	149.1
	258.8	207.8	358.6	320.8	270.3
	-0.05	0.34	0.57	0.52	0.45
	18.5%	3.9%	16.7%	20.4%	5.9%
	251.7	98.1	135.2	123.2	73.7
	4 023.2	3 170.7	2 932.9	3 013.3	2 458.2
	929.3	731.7	832.3	668.3	611.8
	48.5%	50.1%	47.6%	53.4%	56.1%
	1 946.5	1 580.1	1 385.6	1 600.9	1 376.2
	30 306	19 192	9 261	22 057	9 846
	410.4	374.8	358.1	357.5	357.5
	0.85	0.15	0.40	1.08	0.42
	0.68	0.08	0.63	0.73	0.35
	2.25	—	8.00	6.00	—
	10 676	6 389	6 324	6 148	6 012
	13.80	13.70	NA	NA	NA
	4.8%	3.4%	3.8%	3.8%	4.0%
	NA	NA	NA	NA	NA
	0.80	NA	NA	NA	NA
	12.6	7.8	4.7	4.0	3.2

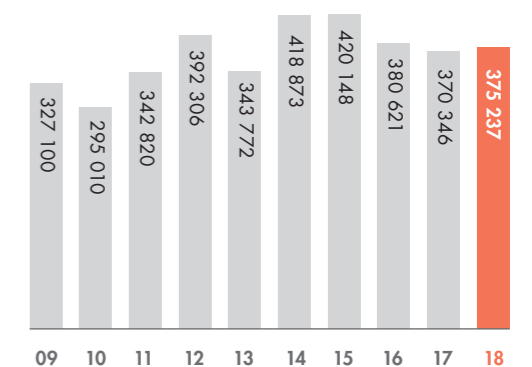
### Revenue and other income

(EUR million)



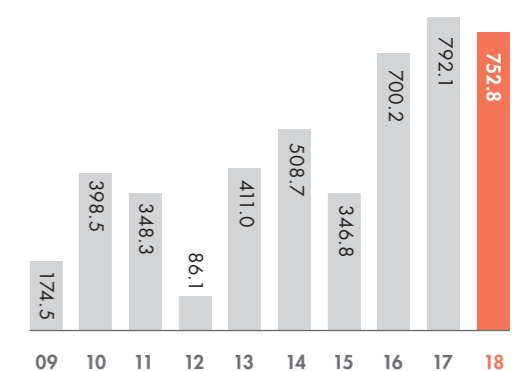
### Harvest volume salmonids

(GWT)



### Operational EBIT

(EUR million)



# Dear shareholder

In 2018 our company achieved an extraordinary milestone in the history of the company, with the business transformation to a global corporate brand. The time is right, as for many years we have worked to develop and control the most important aspects of the value chain: breeding, feed, farming, processing and sales.

We have achieved our goals in developing our business model, with key elements of distinction and competency, and are now ready to further capitalise on our unique value chain and create a global brand, MOWI. **From January 1 2019, the brand and the company name will be synonymous.**

Going forward, consumers will benefit from a salmon that will be different with regards to sustainability, quality, convenience and taste. Our ambition is that more food from the ocean will be produced, and products such as MOWI will become the centre of the plate for an increasing number of consumers.



**M**owi is a vertically integrated company that is divided into three divisions: Feed, Farming, and Sales & Marketing. We employ 14 537 people, operate in 25 countries, and sell our products to more than 70 different countries. Looking to the future, it is essential that we continue developing the skills and expertise of all our staff. For example, we are offering even greater opportunities for our employees to work overseas, and gain experience of different countries and cultures, while furthering their development as managers and leaders for the future.

We also want to further strengthen our company culture. With a clear vision of Leading the Blue Revolution, and strong global values and leadership principles, we have an excellent platform on which to build an even better organisation. Over the years Mowi has focused intensively on the safety of our workers and in 2018 this resulted in the lowest number of LTIs (lost time due to injuries) so far in

**Alf-Helge Aarskog (right) and Ivan Vindheim working at the Mowi Broodstock facility in Øyerhamn.**

the company's history. Nevertheless, there is still room for further improvement in this area, as well as for the development of our company culture. We know that the world is changing. Indeed, change is one of our four core values and as such, Mowi sees great opportunities for improvement by further automating our production processes and embracing new technologies along our entire value chain.

In 2018 we changed our name to Mowi. This will lead to increased focus on product developments to boost our brands' market share, alongside our support for and promotion of private label products. This will go hand in hand with our focus on sustainability as a part of our long-term value creation. It will take resources and time, but it will pay off in the years to come in the shape of improved margins.

## Key achievements

- Global brand strategy launched, and company name changed to Mowi
- All-time high biomass in sea at 305 000 tonnes at year end, up from 258 000
- Acquisition of Northern Harvest
- Production record in Mowi Feed and new feed factory in Scotland at the final stage of construction
- Strong performance in Consumer Products and new factories opened in Spain and Sweden
- Completed 2018 cost savings program with annual savings of EUR 61 million (i.e. exceeding the target of EUR 50 million savings)
- Improved safety record with all-time low rolling LTIs per million hours worked at 5.2, down from 6.6 in 2017
- Operational EBIT of EUR 752.8 million (compared with EUR 792.1 million in 2017), which is the second-best ever for Mowi.
- Strong financial position

## Priorities going forward

- Continued effort to improve biology in all farming units
- Continued product innovation
- Improve waste management including better control and reduction of the use of plastic to protect the oceans
- Continued focus on reducing accidents throughout the business
- Better understanding of consumer needs will be important going forward
- Improve operations through digitalization and automation
- Further develop our people and leaders



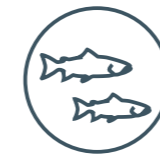
### Feed

Mowi established a separate fish feed division in 2012, because fish feed plays a central part in the quality of the final product and is also the largest individual cost component in salmon farming. In 2018 we produced a new record volume of 348 402 tonnes of feed in our Bjugn facility. Our Bjugn plant was opened in 2014, with a payback of the investment by 2017. This is a great achievement and enabled the feed division to start work on a second production facility in 2017. The plant currently under construction is located at Kyleakin on the west coast of the Isle of Skye in Scotland, close to the bulk of Mowi Scotland's farming operations. This project has unfortunately

been delayed and more expensive than our original plan. There are many reasons for this; some we should have seen in advance and controlled, and a few that we could not have foreseen. But still, we believe that over time, this project will be a game-changer for the feed industry in Scotland and favorable for Mowi's ability to control the feed quality ourselves. The project in Scotland will be completed in the first half of 2019 and have a capacity of 170 000 tonnes.

We will continue to research and develop new feed ingredients, with a focus on sustainability and producing quality salmon for our consumers.

The feed division's financial performance in 2018 was negatively affected by strong competition and startup costs for the new project in Scotland. Its financial result was therefore down from 2017. However, we expect to see improvements when the operation in Scotland starts full production by late 2019.



### Farming

Mowi farms Atlantic salmon and operates in all major salmon farming areas in the world. Harvest volumes and survival rates improved in 2018 compared with 2017. Nevertheless, 2018 was a challenging year, particularly in Norway and Canada West due to biological issues, which resulted in lower than expected survival rates.

In some cases, this resulted in fish being harvested before they reached their optimal harvest weights. In 2018, we harvested a total of 375 237 tonnes, compared to a harvested volume of 370 346 tonnes in 2017. This is well below our expectations and we continue to develop solutions to improve fish biology at our farms.

In July we completed the acquisition of Northern Harvest on the East Coast of Canada, and together with the assets we purchased from the remains of Gray Aquaculture, it will be the backbone of the new business unit Mowi Canada East. Over the years to come we will invest and expand this unit to become a significant contributor to the results of Mowi.

The construction of new freshwater facilities based on recirculating aquaculture system (RAS) technology accounts for the bulk of our investments in farming in 2018. RAS facilities provide our farmers with greater control of a smolt's growing conditions, resulting in larger smolts sent to sea and thus decreasing a salmon's exposure to the biological risks that occur naturally in the ocean. In 2018, we opened two freshwater units in Canada, one in Scotland and one in the Faroe Islands, and began construction of a new RAS hatchery in Norway Region North in the northern part of Troms.



### Sales and Marketing

This division consists of all our sales and marketing activities, along with our steadily growing production of consumer-ready products. The division is organized geographically to support our worldwide client base. Operational results were somewhat higher in 2018 compared with 2017, on higher sales volumes. We sell salmon and other seafood products to more than 70 countries, where we have seen a substantial, and growing, appetite for our products in 2018. We continue to develop better tasting and more convenient products for customers throughout the world.

In 2018 we continued our work on branding, and in November we officially launched the global MOWI brand. To further strengthen the direction of the company toward more branded products, the general assembly decided to change the name of the company to Mowi. We know that it will take a lot of hard work and significant investments to gradually change Mowi to a branded company, but we are confident that we will create more value for our shareholders in the long run.

We have major value-adding facilities in the most mature markets and significant new product development competence in our central markets like the Americas, Europe and Asia. We believe that by continuing to increase our product range, and by improving our production efficiency at our 28 factories, demand for our products will continue to grow. Mowi is well-positioned to take advantage of the growing market for healthy seafood; by using all the competence within the company and best utilising its integrated value-chain for the benefit of the customer eating our fish.



### Sustainability

Today's global trend of increasing demand for sustainable seafood provides Mowi a tremendous opportunity. At Mowi, we have embraced sustainability as an opportunity and are very proud of our product that is healthy for people and good for local communities and the planet. We remain committed to the principles of the United Nation's Global Compact and to maximize our contribution to its Sustainable Development Goals. At Mowi, we pursue an integrated sustainability strategy where long-term targets have been established for all our guiding principles: Planet, People, Product and Profit. Transparency reporting according to global standards such as the Global Reporting Initiative (GRI) is, and will continue to be, an important piece of our sustainability work.

'Leading a Blue Revolution' is not easy but we believe Mowi's unique strengths - our global presence, being fully integrated and a front runner on innovation and R&D - will make a positive impact in the world.

Alf-Helge Aarskog, Chief Executive Officer



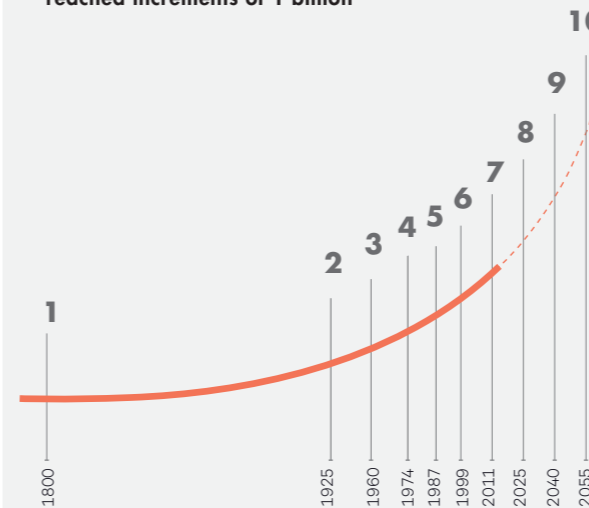
# Leading the Blue Revolution

Leading the Blue Revolution is not a responsibility to take lightly. As the world population continues to grow, so does the demand for healthy food. With our oceans unable to naturally supply today's needs, we have in a relatively short period of time, successfully supplemented hunting with farming.

With aquaculture now providing more fish and seafood than wild-capture fisheries, **it's more important than ever for the world's largest farm-raised salmon producer – Mowi – to take a lead role that ensures the responsible development of aquaculture.** We take this responsibility to lead the blue revolution very seriously: Our oceans, our health, our employees, and our communities where we live and work depend on it.

## Population growth since 1800

Years when world population reached increments of 1 billion

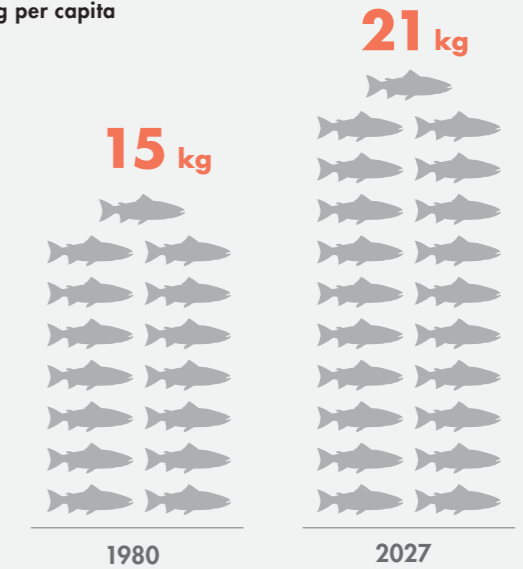


Sources: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website.

We will be 9.4 billion people on the planet by 2050

## Seafood consumption

Kg per capita

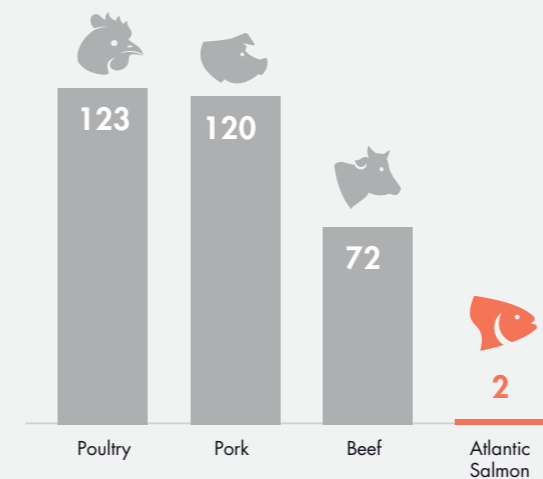


World seafood consumption is projected to reach 21 kg per capita by 2027

Sources: OECD-FAO Agricultural Outlook 2018-2027

## Atlantic salmon production as part of the global protein supply

Million tonnes produced in 2018

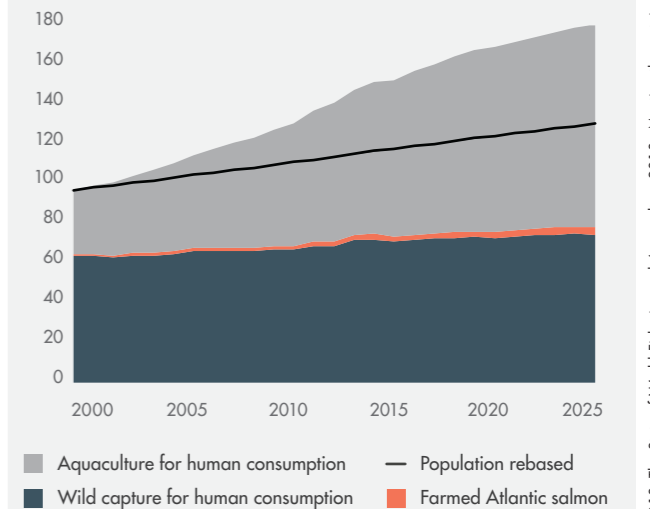


Sources: OECD-FAO Agricultural Outlook 2018-2027, Kantali Analyse

We will need an additional 30 million tonnes of aquatic food to maintain current consumption in 2030

## Stagnating wild catch – growing aquaculture

Million tonnes live weight (LW)



Additional aquatic food needs to come from aquaculture

Sources: Source FAO, 2018. The State of World Fisheries and Aquaculture 2018 - Meeting the sustainable development goals.

### Our corporate foundation

Our corporate foundation is the belief that by farming the ocean, we can sustainably produce healthy, nutritious and affordable food for society at large. 70% of our planet is covered by water, yet the United Nations Food and Agriculture Organization (FAO) estimates that only around 2% of the world's food supply comes from the ocean. This includes both farm-raised and wild-caught fish. We know that global consumption of farm-raised seafood will increase in the future, both in terms of overall volumes and as a percentage of the global food supply, for the following reasons:

- The global population is growing at an unprecedented rate.
- The middle class is growing in large emerging markets.
- The health benefits of seafood are increasingly being promoted by global health authorities.
- Aquaculture is more carbon efficient than land-based livestock production.
- The supply of wild fish has limited growth potential.
- Soil erosion necessitates new ways of thinking about how to feed the world.

### The Mowi way

Financial results are created through interaction between people, the natural environment and technology. Our goal is to find an optimal combination of these elements to create long-term success, whilst understanding that our growth must be environmentally, socially and financially sustainable. To manage the risks that may prevent us from reaching our goals and delivering on our strategy, we have developed the "Mowi Way". The Mowi Way combines our vision, values, strategy, leadership, and our guiding principles.

### Our vision and values

Our vision, "Leading the Blue Revolution", gives direction and outlines possibilities. The possibilities lie in the increased need for protein to supply a growing and increasingly prosperous world population with healthy, sustainable food products. We believe the most efficient way to produce more protein is by farming the ocean.

Our global values - Passion, Change, Trust and Share - inspire us to act in the right way and are key enablers for reaching our goals.

**Passion** for the company and the product: Passion is the key to our success and how we make a difference.

**Change** is the new "normal": We are ready for change and work continuously to improve our operations.

**Trust** is essential in everything we do: Our operations provide safe, delicious and healthy food, and we deliver on our promises.

**Share** underpins the performance of our employees: We share knowledge and experience, we are open and transparent, and we cooperate with key stakeholders globally.

### Our leadership principles

Taking the lead is about setting a course and taking responsibility, and our leadership principles provide an important guide for managers' behaviour:

**Inspire people:** We recruit the very best and build talent for the future. We strive to create winning teams and challenge people to succeed.

**Make it happen:** We challenge existing thinking and promote change and innovation. We encourage people to propose solutions and learn from mistakes.

**Live the values:** We want our leaders to be role models and build our culture; leaders should show direction and engage with stakeholders.

**Think and act:** We want our leaders to think and act as if the company was their own. Leaders should do what is best for the company, bearing in mind both our short and long-term goals.

### Our strategy

We aim to be an integrated provider of proteins from the ocean, taking the lead in all key areas, from the production of fish feed to meeting the needs of the market. By integrating the entire value chain, we can control our products from feed to fork, and be more proactive in addressing challenges related to sustainable feed, breeding and genetics, farming and secondary processing. We see research and development as an integral part across our value chain, which differentiates Mowi within the industry.

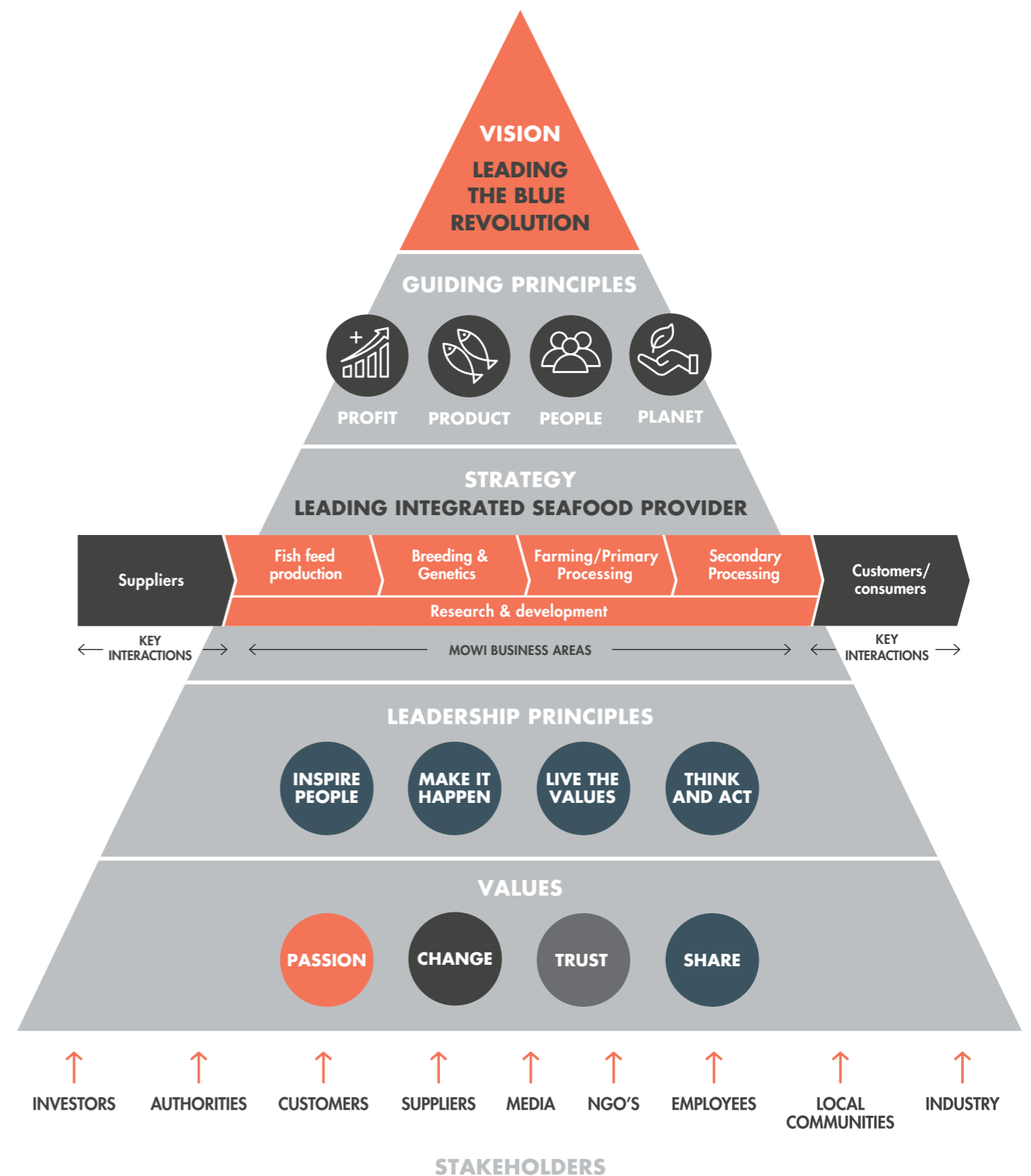
### VERTICAL INTEGRATION

We believe there are benefits to vertical integration, due to the greater capacity it gives us to control the production process. We refer to activities which occur after farming (i.e. secondary processing) as downstream operations, and activities occurring prior to farming (i.e. feed production) as upstream operations. Our integrated production helps us stabilise costs, control the quality of our products and improve efficiency. Over time, vertical integration is expected to result in more stable earnings and unlock future growth. We expect to be less exposed to the cyclical nature of salmon prices, and to be better able to control the quality of our products. An important prerequisite for building the MOWI brand and gaining brand awareness is to gain consumer trust, and through Mowi's integrated value chain, we believe that the company can differentiate the way our products are perceived, positioned and sold.

### Upstream

Growing our fish feed activities remains our goal and our new feed plant in Scotland is expected to commence operations in Q2 2019. The plant is expected to have a capacity of around 170 000 tonnes of feed, with the potential for further expansion.

## From Vision to Action



Further to our integrated marine protein provider strategy, we have invested in the associated company DESS Aquaculture Shipping (DESS Aqua) and have a 50% share in the company. DESS Aqua will build, own and operate aquaculture vessels. We believe there is significant room for efficiency improvements across the value chain in aquaculture shipping, ranging from a reduction in new building costs to more cost-efficient operations. In 2018, we took delivery of the harvest vessel "Aqua Merdø" and the well boat "Aqua Tromøy". DESS also has a new building program of ten vessels. When the new building program is completed, the fleet will consist of 12 aquaculture vessels. During the year, we increased our investment in this company by EUR 32 million, with a further EUR 15 million to be paid in 2019.

### Farming

We continue to screen for strategic initiatives that we believe will benefit our global operations.

In 2018, we completed the acquisition of Northern Harvest on the East Coast of Canada. This positions Mowi to grow in an attractive farming area in Atlantic Canada. In addition, it gives improved access to the North-East American market which continues to develop favourably. In 2017, we purchased the Grey Aqua Group assets, located in the same region, and we expect synergies through the combination of these assets and Northern Harvest.

We also purchased increased farming capacity in Norway, under the amended fish farming regulations which have given farmers in green production areas the opportunity to buy an increase in the maximum allowed biomass (MAB) permitted under existing licenses. Mowi's share of the 2% fixed-price growth is 1 400 tonnes MAB. In addition Mowi participated in the auction process of the remaining growth and Mowi Norway purchased 2 930 tonnes.

In 2018, we continued to expand our freshwater facilities. We opened one new unit in Scotland, one in the Faroe Islands and two in Canada. The new facilities will provide higher quality, larger smolts, produced in a controlled environment at a reduced cost with economies of scale. Transferring larger smolts to sea will reduce the time taken to reach harvest weight, and thereby reducing the associated biological risks that occur naturally in the ocean.

### Downstream

As we are aiming for growth in sales of our new and existing products, production capacity must also increase. We have substantially increased our capacity and upgraded several of our processing plants to serve our customers with new products, including sushi.

In 2018, we opened new plants in Glommen, Sweden and Zaragoza, Spain. In addition, we expanded our plant in Ducktrap, Maine to facilitate further sales growth. Our first plant in China was launched in 2018 as part of the announcement of a strategic partnership between Mowi and Alibaba in the Chinese market. The plant, which is located in Shanghai, will begin operating in 2019.

At Mowi's Capital Markets Day in November, the company launched a brand strategy and the change of company name to Mowi. The company will launch the MOWI brand into selected markets starting in 2019. Our exciting branded product line will provide customers with added value in taste, convenience, nutrition and traceability.

## Guiding Principles

The way we operate our business is centred around our four guiding principles that underpin our vision and behaviour: Planet, Product, People and Profit. Balancing the four principles is a prerequisite for Leading the Blue Revolution and creating long-term value. This ensures that, as well as focusing upon delivering healthy shareholder returns and ensuring access to capital, we also continue to deliver a premium product with minimal negative impact to the environment that also generates value for the local communities in which we operate.

## STAKEHOLDER ENGAGEMENT

As a global seafood company, our activities influence a diverse group of stakeholders. At the same time, our stakeholders' viewpoints and decisions also have an impact of the success of our business. Therefore an ongoing engagement with our key stakeholders is inherent to our way of working. Dialogue helps build trust and, as trust is one of Mowi's core values, we value every opportunity to listen to our stakeholders, to identify trends, to address critical issues and build partnerships. Understanding our stakeholders' needs and interests will help us shape our strategy and better meet their expectations.

Our Code of Conduct underpins how we interact with stakeholders and our internal standard on Community Engagement defines minimum requirements on community engagement plans including those related to the Aquaculture Stewardship Council certification.

Continuous identification and prioritisation of relevant stakeholders and their topics of interest is done through Mowi's communication and sustainability global networks. The added insight from such networks contribute to our materiality assessment (see important and material topics of concern identified by stakeholders in our materiality assessment).

Mowi has identified the following stakeholder groups as key to help us identify the key economic, environmental and social impacts, both positive and negative:

**Investors**, through road shows, capital markets days and other presentations to share ambitions and concerns.

**Authorities**, to facilitate the development and implementation of smart, fair and enforced industry regulations.

**Customers**, including key retailers for product and process development and greater understanding of consumer expectations in general.

**Suppliers**, to ensure that we have a shared approach to the delivery of goods and services, sustainability, human rights and ethics in general.

**Media**, including social media, to understand the public perception of seafood in general and our business in particular.

**NGOs**, for the mutual exchange of ideas and information.

**Employees**, utilizing their potential for personal and company growth and progress.

**Local communities** where we operate, to promote healthy cooperation and create win-win solutions.

**The industry**, for a unified approach to common challenges e.g. GSI for greater industry cooperation and continuous progress on industry sustainability challenges.

How we interact with our stakeholders is described below.

## How we interact with stakeholders

### Investors and creditors

- Continuous dialogue, during market days, roadshows, quarterly results presentations
- Face-to-face meetings/dialogue responding to enquiries

### Authorities

- Sea site visits
- Participation in policy discussions
- Feedback to open hearings regarding changes in legislation

### Customers

- Customer survey
- Trade fairs
- Face-to-face meetings/dialogue responding to enquiries

### Suppliers

- Regular face-to-face meetings to learn about new developments and accelerate more sustainable and affordable solutions
- Dialogues in the context of industry initiatives

### Media

- Dialogues in the context of press trips, press releases, trade fairs, international events

### NGOs

- Dialogues in the context of partnerships (e.g. seaBOS) and industry initiatives (GSI)
- Face-to-face meetings/dialogue responding to enquiries

### Employees

- Employee survey, intranet media, dialogue with employees and managers

### Local communities

- ASC community engagement plans, visit to farming sites, career days, beach clean up days

### The industry

- Local and global industry initiatives (e.g. GSI, seaBOS)



**SUSTAINABLE PROCUREMENT MANAGEMENT**

Significant amounts are channeled through our supply chain each year, and Mowi is an important customer of businesses all around the globe. In this way we impact a variety of environments around the world. This is a great responsibility which we take seriously.

Behind every healthy product must be a viable supply chain. We are committed to high ethical standards in our business conduct in order to create and uphold necessary trust between our stakeholders and us. This obligates, not only Mowi, but everyone in our supply chain to comply with the standards we set.

Our Code of Conduct is a mandatory and integral part of a standard contract set up with suppliers. Every business unit has their own procurement professionals whose responsibility it is to monitor and follow up suppliers' compliance both to our code of conduct and other obligations.

Given the thousands of suppliers Mowi has, in a wide range of industries and sectors, one of the steps the company has taken is to coordinate procurement globally. This ensures a cost-effective procurement function and facilitates increased transparency in the supply chain.

Coordinated procurement also positions us to instigate global development projects with suppliers in order to unlock the potential for more effective solutions, both environmental and for profit.



**MATERIAL LONG-TERM VALUE DRIVERS**

In a world of constant change, our materiality assessment helps to identify and prioritise sustainability issues. In 2018, we ran an internal workshop with 60 people, including senior management and representatives of our Feed, Farming, Sales & Marketing, Breeding & Genetics and global R&D teams. In addition, the board ran a strategic discussion on risks and long-term planning. As a result, we reviewed our materiality assessment in alignment with what impacts our business and what is important to our stakeholders. Our materiality assessment remains very similar to 2017. We have changed data security to cybersecurity to better represent the risks related to electronic data and considered it as material to Mowi and important to our stakeholders. We have chosen to use an integrated materiality analysis\* which identifies the value drivers that have the most material impact on long-term value creation.

Along its entire value chain, Mowi is affected by social issues, such as worker's rights and public acceptance of fish farming. Climate change, environmental regulations and certification requirements may have an impact on the supply chain, by affecting the availability of raw feed ingredients as well as farming areas. Trade barriers may have a significant impact on our products' availability in different markets.

In turn, Mowi also has an impact on people and the environment along its value chain. Our Feed, Farming and Sales & Marketing operations create jobs and contribute to the economic development of local communities. In addition, the health benefits of our products clearly have a positive impact on people and society in general. Health and safety issues and labour rights are also key components of the social impact we have at both our own operations and our suppliers. Our impact also extends to social and environmental standards setting. In terms of environmental impacts we contribute to greenhouse gas emissions along the supply chain, and affect local ecosystems in the vicinity of our farming operations. However, the new technology and infrastructure we continue to invest in will lead to more sustainable farming methods that could also be relevant to other fish species.

Mowi supports the UN Sustainable Development Goals (SDGs). The alignment of our strategy, guiding principles, material long-term value drivers and the SDGs is provided on the following pages.

Mowi Chile

**Mowi most material value drivers**



\*Mowi's original materiality analysis from 2013 was based upon the guidelines of the GRI (Global Reporting Initiative) and GRI was also used to guide the new integrated materiality analysis along with the integrated reporting council's integrated reporting framework. The integrated reporting framework involves identifying the key inputs, or capitals, that a company relies upon to carry out its business activities, how these inputs are processed by the business and what are the resultant outputs. These key inputs and outputs and processes were identified by considering Mowi's value chain from supply of fish feed ingredients through to delivery of products to customers. The GRI materiality process requires identifying the key economic, environmental and social impacts, both positive and negative, that a company has upon its stakeholders throughout its value chain. Our key impacts were identified using a stakeholder dialogue process and desktop review of relevant academic literature, media reports, reporting standards, regulations and competitors. To identify the value drivers that have the most material impact on long-term value creation, each value driver has been assessed with regards to current and future stakeholder expectations as well as operational and strategic impact on Mowi. The prioritization was performed in conjunction with executive management, and material value drivers will be addressed on a regular basis at senior management level to ensure adequate focus.

## Mowi's contribution to UN's Sustainable Development Goals



The SDGs have been agreed by all 193 UN member states in 2015 and guide governments, civil society and the private sector in a collaborative effort for change towards a sustainable development. The SDGs described below are those considered the most material for Mowi, i.e. those where we can have the greatest impact, but we also contribute to others.

### 3 GOOD HEALTH AND WELL-BEING

#### SDG 3 Good Health and Wellbeing

Farm-raised salmon is a rich source of omega-3 fatty acids, minerals and vitamins. Its benefits to human health are well-documented (see Product section). We have a positive trend in our LTI rate, and the rate in absenteeism is slowly decreasing and moving towards our 4 % goal (see People section). Our KPIs that contribute to SDG 3: harvested volumes; nutritional values of our salmon, quality of harvested salmon, contaminant levels, decreasing LTI and absenteeism, global health and safety program, and employee work place programs.

### 5 GENDER EQUALITY

#### SDG 5 Gender Equality

Our business depends on diversity and gender balance among our employees. We focus on building a diverse work force throughout the value chain, as well as fair employment, and development and equal opportunities for employees (see People section). Our KPIs that contribute to SDG 5: training on diversity and equal rights, gender balance, and parental leave opportunity for both genders.

### 8 DECENT WORK AND ECONOMIC GROWTH

#### SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities & SDG 11 Sustainable Cities and Communities

Our operations contribute to the development of local communities providing safe and meaningful jobs (see People section). Our KPIs that contribute to SDG 8, 10 and 11: Global Health and Safety Program, LTI and absence rate, code of conduct training, number of cases raised in the whistle blower channel, training on diversity and equal rights, non-compliance incidents, community engagement and our indigenous workforce.

### 11 SUSTAINABLE CITIES AND COMMUNITIES

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

#### SDG 9 Industry Innovation and Infrastructure

We invest significantly in research, development and innovation to solve our challenges and create new growth opportunities (see R&D and People section). Our KPIs that contribute to SDG 9: R&D spending.

### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

#### SDG 12 Responsible Consumption and Production & SDG 13 Climate Change

Salmon farming is one of the most efficient ways of using natural resources to produce a healthy protein: it has a low carbon footprint, high energy and protein retention efficiency and low water footprint (see Planet and People section). Our KPIs that contribute to SDG 12: energy use and GHG emissions, % of sites with minimum benthic impact, number of biodiversity projects, number of escape incidents and escaped fish, ASC certification, compliance with sustainable feed policy, FFDRm and FFDR0 limits, antibiotic use, sea lice counts and medicine use, Global Health and Safety Program.

### 13 CLIMATE ACTION

### 14 LIFE BELOW WATER

#### SDG 14 Life Below Water

Our business depends on a healthy ocean. We minimise our environmental impact by monitoring, applying best practices and following the strictest environmental standards available for aquaculture (see Planet section). Our KPIs that contribute to SDG 14: % of sites with minimum benthic Impact, number of biodiversity projects, number of escape incidents and escaped fish, ASC certification, compliance with sustainable feed policy, FFDRm and FFDR0 limits, antibiotic use, sea lice counts and medicine use.

### 17 PARTNERSHIPS FOR THE GOALS

#### SDG 17 Key Partnerships for the Goals

Achieving a sustainable future will require concerted action and new forms of partnership. Examples of our key partnerships are the Global Salmon Initiative, the Keystone Dialogues (including the SeaBOS initiative), Global Sustainable Seafood Initiative and our partnership with WWF Norway (see Planet section). We are also committed to support the UN Global Compact Principles.

## Achievements on ambitions

	Material value driver	Ambition	Effort	Status vs ambition	2018	2017	2016	2015	2014	2013	2012	2011	2010
PROFIT	Reliable shareholder return - profitability	ROCE% > 12% p.a.	Through achieving our ambitions in the below indicators, we believe that our profitability will remain above target	●	24.9%	26.7%	28.1%	13.1%	20.9%	18.5%	3.9%	16.7%	20.4%
	Reliable shareholder return - solidity	NIBD EUR 1 400 million	Continuous monitoring of access to borrowed capital and dialogue with lenders	●	1 037.2	831.9	890.0	999.7	1 032.6	929.3	731.7	832.3	668.3
PLANET	Climate friendly food production	Positive trend towards 100% ASC certification	Ongoing ASC implementation strategy	●	78 (34%)	72 (31%)	59 (26%)	39 (24%)	8 (4%)	0	0	0	0
		10% reduction in energy intensity at our processing plants by 2018* (reference year: 2016)		●	24%	22%	na	na	na	na	na	na	na
		10% reduction of GHG emissions (scope 1 and 2) by 2025 (reference year: 2016)**	Compliance with our policy on climate change; focus on reporting, reduction targets and energy saving initiatives; committed to set Science Based Targets for reduction of GHG emissions	●	211 445	215 281	198 782	189 278	100 701	83 912	81 018	na	na
		Set up Science Based Targets (SBT) for GHG emissions by the end of 2020		●	Commitment to Science Based Targets (SBT)								
	Prevent fish escapes	Zero escapes	Compliance with industry and internal standards, focus on preventing human error (training) and reduced net cleaning	●	783 323	23 223	12 790	94 450	2 052	73 744	3 150	71 515	144 512
	Fish welfare, health and robustness	99.5% survival in sea (avg mt) by 2020	Compliance with our policy on salmon welfare, Focus on more gentle non-medicinal tools for delousing and R&D	●	98.7%	98.3%	98.2%	98.6%	99.0%	99.2%	99.2%	99.3%	na.
	Sea lice management	0% of sites above limit (avg mt)	Optimisation of non-medicinal tools, cleaner fish performance and welfare and breeding tools	●	9.0%	9.0%	10.0%	12.0%	8.0%	4.0%	10.0%	7.0%	10.0%
		Reduction in sea lice medicine use (% y-o-y)	Application of the sea lice strategy and increased use of non-medicinal methods	●	17%	73%	50%	na	na	na	na	na	na
	Responsible use of medicines and chemicals	Reduction in antibiotic use (g per tonne prod) from 2015	New vaccine in Chile against SRS	●	40	62	53	82	40	26	12	40	28
	Efficient and sustainable fish feed	100% compliance with our sustainable sourcing policy	Continuous focus on novel, sustainable and affordable feed ingredients; sharing best practices on optimal feeding	●	83.0%	100%	100%	100%	na	na	na	na	na
PRODUCT	Branding and product innovation	Value-added share of sales	Focus on strengthening relationship with key customers and improving our market and consumer insight to facilitate innovation and product development	●	50.9%	48.3%	46.3%	45.4%	43.2%	35.8%	34.6%	na	na
	Ensure food quality	Superior share > 92%	Ongoing projects to gain a better understanding of the main causes of downgrading (kudoa and melanization)	●	91%	93%	92%	92%	93%	89%	91%	92%	89%
	Ensure food safety	Compliant with laws and regulations	Comprehensive monitoring program to document that the level of environmental contaminants is far below the safe limits set by the food safety authorities	●	yes	yes	yes	yes	yes	yes	yes	yes	yes
	Product certification and verification	Compliant with laws and regulations	Conducting external and internal audits and reviews to ensure our activities are in accordance with stakeholder expectations	●	yes	yes	yes	yes	yes	yes	yes	yes	yes
	Healthy seafood	Omega 3 content >1g per 100 g product	Monitoring the level of important nutrients in our farm-raised salmon to ensure that it is both safe and healthy	●	yes	yes	yes	yes	yes	yes	yes	yes	yes
PEOPLE	Cost leadership culture	Live our values and vision, and work cost effectively	Continuous integration of our vision, values and leadership principles	●	yes	yes	yes	yes	yes	yes	na	na	na
	Ethical business conduct	Compliance with our Code of Conduct	Mandatory testing on our Code of Conduct	●	yes	yes	yes	yes	yes	yes	yes	na	na
	Ensure employee safety and security	Absence rate < 4%	Systematic approach to safety to obtain a safer workplace and reduce absenteeism	●	5.0%	5.2%	5.7%	4.8%	5.0%	4.8%	3.4%	3.8%	3.8%
		Reduction in LTI per million hrs worked	Focus on a strong health and safety culture, with BrainSafe as an integral part of the way we operate	●	5.2	6.56	9.9	11.4	11.4	13.8	13.7	na	na
Purpose-driven organisation	Develop and support the local communities in which we operate	Maintain good relations with local communities and support local initiatives	●	yes	yes	yes	yes	yes	yes	yes	yes	yes	

\*Energy consumption is measured as GJ/ton or sold at primary and secondary processing plants. Reference year is 2016.

Profit	Planet	Product	People	Research & Development
028	048	074	096	116

# Strategy and operational approach

We aim to be an integrated provider of proteins from the ocean, taking the lead in all key areas, from the production of fish feed to meeting the needs of the market. By integrating the entire value chain, we can control our products from feed to fork, and be more proactive in addressing challenges related to sustainable feed, farming and value-added processing.

# 2



## Guiding principles



### PROFIT

Attractive financial results

#### HIGHLIGHT

In terms of profitability from our operations, 2018 was our second-best year ever. We are proud of this accomplishment and are encouraged by the opportunities across our value chain.

028



### PRODUCT

Tasty and healthy seafood providing customer value

#### HIGHLIGHT

Global brand strategy launched, and company name change to Mowi. Strong performance in consumer products.

074



### PLANET

Sustainable and environmentally responsible development

#### HIGHLIGHT

Continuous roll out of ASC certification. Reduction in sea lice medicine use as a result of further implementation of non-medicinal tools. New vaccine is leading to a reduction in antibiotic use in Mowi Chile. Number of escaped fish increased significantly as a result of an incident linked with extreme weather conditions in Chile.

048



### PEOPLE

Safe and meaningful jobs

#### HIGHLIGHT

The enormous efforts of our employees in highlighting safety through daily work and implementation of our campaign has given remarkable results beating all records. Both LTI and the absenteeism rate decreased in 2018 – a trend we wish to continue.

096



## Innovation in the value chain

### RESEARCH & DEVELOPMENT

We aim to accelerate innovation to unlock the potential of the ocean, whether through innovations in biology and technology or taking advantage of artificial intelligence and automation.

#### HIGHLIGHT

Robust R&D and Innovation teams are now well established across the entire Mowi value chain. During 2018 we have further been stepping up our initiatives within automation and digitalization driving cross functional and full value chain benefits from R&D and Innovation.

116



# Another solid year, second best ever

Our financial success hinges on our ability to provide customer value from healthy, tasty and nutritious seafood that is raised both cost effectively and in an environmentally sustainable way.

## Operational EBIT

Operational EBIT of EUR 752.8 million, which is second-best ever for Mowi. The figure is down from EUR 792.1 million in 2017 mainly as a result of somewhat lower achieved prices. Financial EBIT is up from 2017 mainly due to significantly increased net fair value adjustment of biomass including onerous contracts.

## Dividend and returns

Dividend of NOK 10.40 paid out to the shareholders in 2018, down from NOK 12.40 in 2017. Underlying earnings per share was EUR 1.11, a decrease from EUR 1.23 in 2017.

## Financing

Issue of EUR 200 million five-year senior unsecured bond with coupon of 3-months EURIBOR + 2.15% p.a. Conversion of the EUR 340 million convertible bond to equity. Exercised accordion option to increase bank facility by EUR 200 million to EUR 1 406 million.

## NIBD and ROCE

NIBD of EUR 1 037.2 million (831.9 million). ROCE was above the long-term target of 12.0% at 24.9% (26.7%)



**PROFIT**  
Attractive  
financial results



## PROFIT

Material value driver	Ambition
Reliable shareholder return - profitability	ROCE% > 12% (per annum)
Reliable shareholder return - solidity	Long-term NIBD of EUR 1 400 million

### Overall Group Performance in 2018

Total revenues in 2018 amounted to EUR 3 811.9 million, an increase of 4.5% from 2017 on higher sales volume. We harvested 375 237 tonnes gutted weight of salmon in 2018, compared to 370 346 tonnes for the year ended December 31, 2017. Our Operational EBIT came to EUR 752.8 million in 2018, compared to EUR 792.1 million for the year ended December 31, 2017. The reduction is mainly due to lower achieved prices. Our earnings before financial items (EBIT), totalled EUR 925.4 million in 2018, compared to EUR 484.9 million in 2017. The change is due to significantly increased net fair value adjustment of biomass in 2018 on increased forward prices, as well as impairment of licenses in Chile in 2017. We achieved a return on capital employed (ROCE) of 24.9% in 2018, well above our long-term target of 12.0%. The comparable figure for 2017 was 26.7%. At year-end, the Group had a net interest-bearing debt (NIBD) of EUR 1 037 million, which is below our long-term target of EUR 1 400 million. The comparable figure at year-end 2017 was EUR 832 million, vs the target of EUR 1 200 million at year end 2017.

### GLOBAL SUPPLY OF SALMON

(GWT)	2018	2017	CHANGE %
Norway	1 128 100	1 087 000	3.8%
Scotland	138 200	159 500	-13.4%
Faroe Islands	64 500	72 300	-10.8%
Ireland	12 900	15 300	-15.7%
<b>Total Europe</b>	<b>1 343 700</b>	<b>1 334 100</b>	<b>0.7%</b>
Chile	609 700	507 800	20.1%
North America	147 500	144 600	2.0%
<b>Total Americas</b>	<b>757 200</b>	<b>652 400</b>	<b>16.1%</b>
Australia	55 200	55 100	0.2%
Other	20 500	23 100	-11.3%
<b>Total</b>	<b>2 176 600</b>	<b>2 064 700</b>	<b>5.4%</b>

### The Market in General

#### SUPPLY

The global harvest volume of Atlantic salmon was approximately 2 176 600 tonnes gutted weight in 2018. This was 111 900 tonnes (5.4%) more than in 2017. Chile accounted for a significant bulk of the increase as the harvest from Chile increased by 101 900 tonnes, partially as a result of a recovery from the algal bloom experienced in 2016 and partially on improved biology in 2018. Supply from Norway increased by 41 100 tonnes in 2018 as a result of higher smolt stockings. The supply from Scotland decreased by 21 300 tonnes due to less available fish for harvest. Supply from North America increased by 2 900 tonnes. The supply from other regions decreased by 12 700 tonnes compared to 2017.

### REFERENCE PRICES

Prices in 2018 were relatively unchanged compared to 2017 in the various markets. Adjusted for the high prices in the beginning of 2017, prices increased on average for the year. The reference price for salmon of Norwegian origin decreased by 1.9% in the market currency

compared to 2017. The average price decreased in Miami by 1.9% for the year, whilst the prices in Seattle and Boston/New York increased by 2.3% and 4.5% respectively.

### REFERENCE PRICES FOR SALMON

	2018	2017	CHANGE	2018	2017	CHANGE
	MARKET <sup>5)</sup>	MARKET <sup>5)</sup>	%	NOK	NOK	%
Norway <sup>1)</sup>	6.19	6.31	-1.9%	59.44	58.88	1.0%
Chile <sup>2)</sup>	5.31	5.41	-1.9%	43.23	44.76	-3.4%
North America <sup>3)</sup>	3.55	3.48	2.3%	28.94	28.74	0.7%
North America <sup>4)</sup>	3.90	3.74	4.5%	31.79	30.90	2.9%

1) Average superior per kg gutted weight (NASDAQ Oslo)

2) Average D trim per pound (Urner Barry Miami 3-4 pound)

3) Average superior per pound gutted weight (Urner Barry Seattle 10-12 pound)

4) Average superior per pound gutted weight (Urner Barry Boston/New York 10-12 pound)

5) Market price in EUR for Norway, and USD for Chile and Canada

### MARKET DISTRIBUTION AND DEMAND

(GWT)	2018	2017	CHANGE %
EU	955 700	921 200	3.7%
Russia	87 200	69 800	24.9%
Other Europe	81 900	79 500	3.0%
<b>Total Europe</b>	<b>1 124 800</b>	<b>1 070 500</b>	<b>5.1%</b>
USA	427 900	397 700	7.6%
Brazil	89 400	79 900	11.9%
Other Americas	122 700	108 300	13.3%
<b>Total Americas</b>	<b>640 000</b>	<b>585 900</b>	<b>9.2%</b>
China/Hong Kong	101 700	86 000	18.3%
Japan	53 900	57 700	-6.6%
South Korea/ Taiwan	56 000	45 500	23.1%
Other Asia	73 100	83 500	-12.5%
<b>Total Asia</b>	<b>284 700</b>	<b>272 700</b>	<b>4.4%</b>
All other markets	116 000	108 800	6.6%
<b>Total all markets</b>	<b>2 165 500</b>	<b>2 037 900</b>	<b>6.3%</b>

Consumption in the EU increased by 3.7% compared to 2017 as consumption in the key markets of France, UK and Germany grew. Developments in Italy and Spain were also positive with increased consumption.

US consumption increased by 7.6% compared to 2017 and reached an impressive 427 900 tonnes. Growing import of Chilean salmon was the main driver for the volume increase. The convenient and consumer friendly pre-packed products continued to drive the category growth. Incremental retail chains and stores sourced and sold salmon and seafood in a manner not experienced before. The strong growth in Brazil of 11.9% for 2018 was not only due to increased Chilean supply, but also driven by salmon being sold in new areas of the country and into new channels where salmon was not previously offered.

Consumption in the Asian market increased by 4.4% compared to 2017. Developments across Asia were generally positive. The Chinese/Hong Kong market grew by 18.3% compared to 2017 due to increased imports from Chile and Norway.

## Our Markets

### GEOGRAPHIC MARKET PRESENCE

Our main source of revenues is the sale of Atlantic salmon. Europe is by far the largest market for our salmon, representing approximately 70% of our total revenues in both 2018 and 2017. We experienced good sales growth in the UK, Benelux and the eastern and southern European markets. France and Germany continue to be very important regions. Higher retail prices have continued to hamper sales to traditional retail customers in these markets. A compensating factor for us was increased sales to discount retailers.

Compared to 2017, the relative share of sales to the American market increased somewhat, mainly due to higher sold volumes from Chile. For the Asian market, the relative share of sales compared to the previous year was stable, as shortages of large-sized fish offset the effect of higher prices.

### CONTRACTS, QUALITY AND PRICE

2018	NORWEGIAN ORIGIN	SCOTTISH ORIGIN	CANADIAN ORIGIN	CHILEAN ORIGIN	IRISH ORIGIN	FAROESE ORIGIN	TOTAL
Contract share	39%	67%	—%	22%	91%	—%	36%
Quality - superior share	91%	96%	89%	88%	88%	87%	91%
Price achievement	97%	113%	97%	100%	N/A	106%	99%

### SALES BY PRODUCT

The share of sales related to salmon products was stable compared to the previous year, at 91.0% and 90.9% of our revenues for the years ended December 31, 2018 and 2017 respectively. Fresh whole salmon (i.e. primary processed salmon) represented 37.1% of our total revenues in 2018, compared to 41.2% in 2017. In the same periods, fresh smoked salmon and fresh and frozen elaborated salmon (i.e. secondary processed salmon) accounted for 51.3% and 48.0% of our revenues respectively. We are actively pursuing strategies to reduce our dependence on spot market prices for salmon. This includes increasing our capacity to produce elaborated and value-added products, which generally command more stable consumer prices. In line with this strategy, we opened new value-added plants in Spain and Sweden in 2018. Also, our branded smoked salmon factory, Ducktrap in Maine (US), completed its factory expansion in 2018. Furthermore, our first value-added plant in Shanghai, China was launched in 2018, and this plant will commence operations in 2019.

### PRICE ACHIEVEMENT

The development in market reference prices was described in the previous section. Mowi achieved a combined global price that was 1% below the weighted reference price in both 2018 and 2017. Relative to the reference price, contract sales made a positive contribution in both years.

In 2018, the contract share varied between the different business units. The Group's overall contract share was 36% in 2018, compared to 38% in 2017.

The overall share of the volumes sold as superior quality was 91% in 2018, which is down from 93% in 2017. Both figures are within the normal range, but the 2018 figure is below the Group's target of 92%. The main driver behind the reduction is downgrading in Canada and Regions South and Mid in Norway following biological challenges.

## Segment Reporting

The following is a presentation of our operating performance by business segment, using Operational EBIT per kg of fish harvested as a key measure of performance. The table below shows Operational

EBIT for each of our operating segments for the years ended December 31, 2018 and 2017:

### SEGMENT RESULTS

(IN EUR MILLION)	2018	2017
Operational EBIT - Feed	9.6	8.5
Operational EBIT - Farming	625.2	660.5
Operational EBIT - Markets	51.0	59.0
Operational EBIT - Consumer Products	88.0	75.9
Operational EBIT - Other	-21.0	-11.8
<b>Group Operational EBIT <sup>1)</sup></b>	<b>752.8</b>	<b>792.1</b>
<b>Group EBIT</b>	<b>925.4</b>	<b>484.9</b>

<sup>1)</sup> Group Operational EBIT is a non-IFRS financial measure. See Note 4 Business segments and part 4 of this report for an explanation of how we define and calculate Operational EBIT, and for a reconciliation of Group Operational EBIT to Financial EBIT according to IFRS.

### FEED

Operational EBIT for our Feed segment in 2018 ended at EUR 9.6 million, which was somewhat higher than the previous year (EUR 8.5 million). The main driver for the increase is higher volume. Feed prices improved during the year in line with the corresponding increase in raw material costs. In addition to increased costs related to input factors such as fish oil and fish meal, costs in 2018 have been adversely impacted by the construction phase of the new feed plant in Scotland.

Margins in our Feed operations have been reduced in recent years as a result of fierce competition in the feed industry. Operational EBIT margin was 2.3% in 2018, which is down from 2.4% in 2017.

Our Norwegian plant produced 348,402 tonnes of feed in 2018 (305,174 in 2017), which was record-high, ensuring that our Norwegian farming operations were 97% supplied by our own feed (85% in 2017). The new plant in Kyleakin, Scotland, is expected to start operations in April 2019, with an estimated capacity of 170 000 tonnes per year, and creation of 55 permanent full-time jobs.

Following our self-sufficiency strategy on feed, Mowi Feed continues to develop its range of products, including fresh water, organic and cleaner fish diets.

### FARMING

Farming's Operational EBIT totaled EUR 625.2 million in the year ended December 31, 2018, compared to EUR 660.5 million in the year ended December 31, 2017. The decrease is mainly due to lower achieved prices. The volume harvested increased by 1.3% from 2017 to 2018. The cost in box decreased for our Norwegian and Chilean operations, while it increased for Scotland and Canada. For Mowi Farming, total cost in box decreased by 0.8% from the previous year. For details of our farming entities' operational performance, please see the comments under Operational performance by country of origin.

### SALES AND MARKETING

Our Sales & Marketing operations consist of the reporting segments Markets (trading) and Consumer Products (value-added operations).

#### Markets

Markets' Operational EBIT for the year ended December 31, 2018 came to EUR 51.0 million, compared to EUR 59.0 million in 2017. The 2018 Operational EBIT comprised EUR 37.9 million from Markets Europe, EUR 1.5 million from Markets Asia and EUR 11.7 million from Markets Americas, compared to EUR 41.8 million, EUR 3.2 million and EUR 14.1 million, respectively, in 2017.

Markets Europe was impacted by lower volumes and reduced margins in Scotland, and reduced margins in the Faroes. These effects were partly offset by higher earnings in Norway driven by improved volumes.

Markets Asia experienced shortages of large-sized fish, which has impacted sold volumes and margins in the trading business negatively compared with the previous year.

The trading business in Canada and the US delivered underlying earnings somewhat below the previous year on lower volumes. In Chile, earnings were reduced from 2017 on lower achieved margins, partly offset by increased volumes.



### Consumer Products

From 2018, the reporting segment includes Consumer Products in Europe, Americas and Asia. Mowi Consumer Products is geographically organised, but constitutes one reporting segment. Consumer Products' Operational EBIT for the year ended December 31, 2018 came to EUR 88.0 million, compared with EUR 75.9 million in 2017, making 2018 the best year ever for Consumer Products. 2018 was a record year for several of our plants, including the large plants in Ustka (Poland), Rosyth (Scotland) and Pieters (Belgium). In general, the improved results are due to higher volumes and operational improvements. The volume sold increased by 16.5% compared to 2017, ending at 168 831 tonnes end-product weight. The increase is partly explained by higher bulk volumes. Lower raw material costs and other costs have been offset by reduced prices.

### Europe

We experienced good growth in the UK, Benelux and the Southern and Eastern European markets in 2018. In the French and German markets, sales to traditional retail customers have been difficult as a result of the high prices. However, our Consumer Products organisation managed to partly offset this through increased sales to discount retailers.

For our Chilled operations (mainly smoked products) in Europe, volumes increased from 2017. However, earnings were impacted by margin pressure in the chilled segment following fierce competition and one-off costs and insurance deductibles related to the fire in Kritsen. Nevertheless, Operational EBIT increased from the previous year on partial recognition of property damage insurance of EUR 10 million related to the fire in Kritsen. In our Fresh operations in Europe, volumes increased from 2017 on successful promotions and higher bulk volumes. Operational EBIT decreased from the previous year on margin pressure and social unrest in France.

### Americas

Fresh in the Americas developed favourably in 2018 driven by strong demand for our value-added products and successful promotions. Skin pack volumes were at all-time highs. For Chilled in the Americas, the effect of increased volumes was offset by start-up costs related to the factory expansion at Ducktrap, Maine.

Although consumption in the US increased in 2018, it is still low by European standards. One of the main barriers to consumption has been availability of fresh salmon in retail stores. The opening of our new value-added plants in recent years has improved our market access. In the spring of 2019, Mowi moves its operations in Miami to a new plant twice the size of the existing site.

### Asia

Our Asian operations experienced growth in volumes and earnings in 2018. This was particularly the case in Japan and South Korea after successful promotions and high demand. However, earnings have been adversely affected by yield impact from smaller fish.

## Operational Performance By Country of Origin

The table below shows a selection of operating metrics by country of origin for our harvested salmon for the years ending December 31, 2018 and 2017:

### OPERATIONAL PERFORMANCE BY COUNTRY OF ORIGIN

	NORWEGIAN ORIGIN	SCOTTISH ORIGIN	CANADIAN ORIGIN	CHILEAN ORIGIN	IRISH ORIGIN	FAROESE ORIGIN	OTHER	TOTAL
<b>2018</b>								
Operational EBIT	545 554	77 020	45 456	74 223	19 723	13 709	-22 837	752 847
Harvest volume of salmon <sup>1)</sup>	230 427	38 444	39 267	53 165	6 238	7 697		375 237
Average price achievement <sup>2)</sup>	97%	113%	97%	100%	—%	106%		99%
Contract coverage <sup>3)</sup>	39%	67%	—%	22%	91%	—%		36%
Quality - superior share <sup>4)</sup>	91%	96%	89%	88%	88%	87%		91%
Feed cost (EUR per kg) <sup>5)</sup>	—	—	—	—	—	—	—	1.63
Total cost (EUR per kg) <sup>6)</sup>	—	—	—	—	—	—	—	4.12
Operational EBIT (EUR per kg)	2.37	2.00	1.16	1.40	3.16	1.78	—	2.01
EBIT (EUR per kg)	2.95	2.89	1.15	1.68	2.62	1.98	—	2.47
<b>2017</b>								
Operational EBIT	462 977	153 652	81 293	58 581	29 894	18 932	-13 242	792 088
Harvest volume of salmon <sup>1)</sup>	210 152	60 186	39 389	44 894	9 745	5 980		370 346
Average price achievement <sup>2)</sup>	97%	108%	99%	96%	—%	131%		99%
Contract coverage <sup>3)</sup>	47%	46%	—%	17%	82%	4%		38%
Quality - superior share <sup>4)</sup>	93%	96%	90%	88%	89%	91%		93%
Feed cost (EUR per kg) <sup>5)</sup>	—	—	—	—	—	—	—	1.69
Total cost (EUR per kg) <sup>6)</sup>	—	—	—	—	—	—	—	4.16
Operational EBIT (EUR per kg)	2.20	2.55	2.06	1.30	3.07	3.17	—	2.14
EBIT (EUR per kg)	2.01	1.46	1.34	-0.87	3.17	3.05	—	1.31

1) We measure our harvest volume in terms of tonnes of gutted weight of salmon. Harvest volume of salmon is a key measure of our success as, in the absence of trading, it corresponds to the volume of salmon available for sale. As trading volume generally achieves limited margin, harvested volume is the volume-related driver of our profit.

2) The average price achievement measures the prices that we are able to achieve on our products compared to a salmon price index. Price achievement is measured against NASDAQ for salmon of Norwegian, Scottish and Faroese origin and Urner Barry for salmon of North American and Chilean origin. The market reference prices are spot prices for superior quality salmon, while our achieved price is a blend of spot and contract price for all qualities. Average price achievement measures our ability to sell our products at above market rates and is thus important for understanding our performance. In situations where contract prices deviate from spot prices, or the quality of our sold fish is low, our achieved price will deviate from the reference price.

3) The contract coverage measure represents the percentage of our products that was sold pursuant to contracts. A contract is for this purpose defined as a commitment to sell our salmon at a fixed price for a period of three months or longer. We have a sales contract policy aimed at limiting our exposure to short and medium-term fluctuations in salmon prices.

4) The superior share of salmon is the percentage graded as being of superior quality, divided by the total volume of harvested salmon. If salmon for some reason, e.g., pale colour or scale loss, cannot be classified as a superior product, it is downgraded and sold as production or ordinary grade product at a lower price.

5) Feed cost per kg harvested is calculated by dividing our total cost of fish feed for harvested fish by tonnes of gutted weight of salmon harvested.

6) Total cost per kg harvested is calculated by dividing our total cost for harvested fish by tonnes of gutted weight of salmon harvested.

## SALMON OF NORWEGIAN ORIGIN

### Operational EBIT

Our Operational EBIT for salmon of Norwegian origin was EUR 545.6 million for the year ended December 31, 2018 compared with EUR 463.0 million in 2017. The increase was mainly due to higher volumes and improved costs. This was the result of somewhat improved biology in our largest farming unit. Operational EBIT per kg was EUR 2.37 compared to EUR 2.20 in 2017. Our EBIT for salmon of Norwegian origin was EUR 679.8 million for the year ended December 31, 2018 compared to EUR 421.5 million in the same period in 2017. EBIT per kg was EUR 2.95 in 2018 compared to EUR 2.01 in 2017.

### Price and volume developments

Compared to 2017, the reference price for Atlantic salmon of Norwegian origin decreased by 1.9% from the high levels in 2017 on increased supply. Our price achievement for the year ended December 31, 2018 was 3% below the reference price, which is the same as for 2017. Contracts impacted price achievement negatively in both years. The contract share was 39% in 2018, compared to 47% in 2017. The superior share of salmon harvested in 2018 was 91% in 2018, somewhat down from 93% in 2017 mainly due to downgrading in Regions South and Mid following biological challenges.

The harvest volume for the year ending December 31, 2018 was 230 427 tonnes gutted weight, an increase of 20 275 from 2017. The increase in harvest volume is mainly due to Region North, explained by improved growth and a more normal harvest volume following biological challenges in 2017.

### Costs and operations

The total cost per kg for salmon of Norwegian origin harvested in 2018 decreased by 5.0% compared to 2017. The primary drivers for the cost decrease were feed and health costs.

The feed cost for fish harvested in 2018 was 5% lower than in 2017. This was mainly due to scale effects and improved feed conversion rates, as feed prices increased during the year. Other seawater costs per kg of fish harvested were 2% lower in 2018 than in 2017, mainly

as a result of lower health costs. Although sea lice mitigation costs are still at a high level, it is encouraging to see that for the first time since 2013, nominal health costs are lower than the previous year. The reduction in nominal terms was 6%. Measured per kg harvested, health costs were reduced by 14% in 2018 compared to the previous year. We are engaged in several ongoing projects related to sea lice mitigation, and the level of sea lice was lower at the end of the year compared to the same time in 2017 in Regions South and Mid, and stable in Region North.

Incident-based mortality in the amount of EUR 16.7 million was recognised in 2018 compared to EUR 13.5 million in 2017.

## SALMON OF NORWEGIAN ORIGIN BY REGION

From January 1, 2018, the number of regions has been reduced from four to three in our Norwegian farming unit: Regions South, Mid and North. Comparison figures have been re-presented accordingly. The table below shows an overview of operating performance by region in 2018 compared to 2017.

### Region South

Operational EBIT in Region South amounted to EUR 54.2 million in 2018 compared to EUR 92.5 million in 2017. The decrease was due to lower volumes and prices, and increased costs. The volume harvested was 36 619 tonnes gutted weight compared with 42 000 tonnes in 2017. Operational EBIT per kg harvested was EUR 1.48 compared with EUR 2.20 in 2017. The drop in volumes is mainly explained by the low-performing 2017 generation. The fish health situation has been more challenging in Region South in 2018 compared with the other Norwegian regions. The cost development is a consequence of negative scale effects and harvesting from a lower performing generation of fish, with increased health costs and reduced growth. In addition, harvesting costs have been impacted by the rebuilding of the processing plant in Hjelmeland. Incident-based mortality in the amount of EUR 1.7 million was recognised in 2018 due to loss of fish at the Fjæra freshwater site. In 2017, incident-based mortality amounted to EUR 3.5 million.

## KEY FIGURES BY REGION IN NORWAY

	SOUTH		MID		NORTH	
	2018	2017	2018	2017	2018	2017
<b>Operational EBIT (EUR million)</b>	<b>54.2</b>	<b>92.5</b>	<b>282.3</b>	<b>245.1</b>	<b>209.1</b>	<b>125.4</b>
Harvest volume (GWT)	36 619	42 000	118 597	114 625	75 211	53 527
<b>Operational EBIT per kg (EUR)</b>	<b>1.48</b>	<b>2.20</b>	<b>2.38</b>	<b>2.14</b>	<b>2.78</b>	<b>2.34</b>
Incident based mortality (EUR million) <sup>1)</sup>	1.7	3.5	13.9	7.8	0.8	2.2
Superior share	92%	95%	91%	94%	91%	92%

1) Total incident based mortality of EUR 16.7 million includes EUR 0.3 million related to our Cleanerfish activities.



Beitveines, Norway

### Region Mid

Operational EBIT in Region Mid amounted to EUR 282.3 million in 2018 compared with EUR 245.1 million in 2017. The main explanation for the increase is reduced costs. The main cost decreases are feed costs, mainly due to improved feed conversion ratios, and lower health costs. In addition, volumes and prices increased somewhat. The volume harvested was 118 597 tonnes gutted weight compared to 114 625 tonnes in 2017. The increase is mainly due to early harvest following biological issues, including PD SAV3. Operational EBIT per kg harvested was EUR 2.38, compared to EUR 2.14 in 2017. Incident-based mortality in the amount of EUR 13.9 million was recognised in 2018, mainly related to PD and CMS. In 2017, incident-based mortality amounted to EUR 7.8 million.

### Region North

Operational EBIT in Region North amounted to EUR 209.1 million in 2018 compared to EUR 125.4 million in 2017. The increase is mainly due to increased volumes and improved costs. Measured by Operational EBIT per kg harvested, Region North was the best performing region in Mowi Norway in both 2018 and 2017. The figure

improved to EUR 2.78 from EUR 2.34 in 2017. The volume harvested was 75 211 tonnes gutted weight compared to 53 527 tonnes in 2017. The increased volume is mainly due to the fact that the volume in 2017 was very low as a consequence of biological issues. Costs have improved for most cost components compared with 2017. Incident-based mortality in the amount of EUR 0.8 million was recognised in 2018, compared with EUR 2.2 million in 2017.

## SALMON OF SCOTTISH ORIGIN

### Operational EBIT

Our Operational EBIT for salmon of Scottish origin was EUR 77.0 million for the year ended December 31, 2018 compared to EUR 153.7 million in 2017. The decrease is mainly due to lower volumes and increased costs. Operational EBIT per kg was EUR 2.00 in 2018 compared to EUR 2.55 in 2017. Our EBIT for salmon of Scottish origin was EUR 111.0 million for the year ended December 31, 2018 compared to EUR 87.9 million in 2017. EBIT per kg was EUR 2.89 in 2018 compared to EUR 1.46 in 2017.

### Price and volume developments

The reference price in EUR decreased compared to 2017. Our price achievement for salmon of Scottish origin for the year ended December 31, 2018 was 13% above the reference price, compared to 8% above in 2017. Price achievement in 2018 was positively affected by contracts in both years. The contract share was 67% in 2018 compared to 46% in 2017, mainly due to decreased volumes. The superior share was 96% in 2018 and 96% in 2017.

At 38 444 tonnes gutted weight, the harvest volume in the year ended December 31, 2018 was significantly reduced from 2017, when the harvest volume was 60 186 tonnes. This variance was due to timing of smolt stockings. Less fish was stocked in 2017 in order to ensure control of biological issues witnessed in previous years.

### Costs and operations

The total cost per kg for salmon of Scottish origin harvested in 2018 increased by 20.1% compared with 2017. This is a consequence of negative scale effects from lower volumes, and increased feed and health costs. In 2018, we recognised incident-based mortality losses in the amount of EUR 2.5 million, compared with EUR 9.8 million in 2017. The 2018 incidents were related to different issues, including anaemia, fish damaged in a storm, gill issues and mortality at the Inchmore hatchery. By the end of 2018, Scotland reported an improving trend in fish survival and good control of sea lice prevalence.



Isle of Rum, Scotland

### SALMON OF CANADIAN ORIGIN

#### Operational EBIT

Our Operational EBIT for salmon of Canadian origin was EUR 45.5 million for the year ended December 31, 2018 compared to EUR 81.3 million in 2017. The decrease was mainly related to costs. Northern Harvest contributed EUR 12.0 million after the completion of the acquisition in July 2018. Operational EBIT per kg was EUR 1.16 in 2018 compared to EUR 2.06 in 2017. Our EBIT for salmon of Canadian origin was EUR 48.1 million in the year ended December 31, 2018 compared to EUR 52.8 million in 2017. EBIT per kg was EUR 1.15 in 2018 compared to EUR 1.34 in 2017.

#### Price and volume developments

Market prices in 2018 for salmon of Canadian origin increased on both the West and East coast by 2.3% and 4.5% respectively compared to 2017. Our price achievement in 2018 was 3% below the combined reference price, compared with 1% below in 2017. Price achievement was negatively impacted by the size distribution in 2018. There were no contracts for salmon of Canadian origin in 2018 or 2017. The superior share was 89% in 2018, compared with 90% in 2017.

The harvest volume in the year ended December 31, 2018 was 39 267 tonnes gutted weight compared to 39 389 tonnes in 2017. The 2018 figure includes 6 868 tonnes for Northern Harvest.



San Francisco site, Chile Jose Luis Solis (Site Manager) and Manel Ramirez (Assistant Manager) performing sea lice check.

#### Costs and operations

The total cost per kg for salmon of Canadian origin harvested in the year ended December 31, 2018 increased by 18.4% compared to 2017 on a challenging year for our operations in Canada West. Adverse environmental circumstances led to increased mortality and reduced growth. In addition, costs were impacted by protestor costs, legal costs and other costs related to a license renewal process. In 2018, an agreement was reached with respect to the Broughton area and our salmon farming operations there. While some of our farms in the Broughton area will cease operations, others in the area will be subject to new license renewal conditions within the next five years. Mowi Canada West will apply for several licenses and tenure amendments outside the region, hence the net volume impact is expected to be limited.

Incident-based mortality of EUR 7.1 million was recognised in 2018 (EUR 1.9 million in 2017), mainly due to severe environmental conditions and gill issues.

In 2018, Mowi Canada East completed the acquisition of Northern Harvest. The transaction is of strategic importance, and the benefits

include expansion into a new region for Mowi, as well as improved market access to the Eastern Canadian and US seafood markets.

### SALMON OF CHILEAN ORIGIN

#### Operational EBIT

Our Operational EBIT for salmon of Chilean origin was EUR 74.2 million for the year ended December 31, 2018 compared to EUR 58.6 million in 2017. 2018 was a year with positive development for our Chilean operations, and Operational EBIT increased on higher volume, lower costs and improved contribution from Consumer Products to salmon of Chilean origin. Operational EBIT per kg was EUR 1.40 in 2018 compared to EUR 1.30 in 2017. Our EBIT for salmon of Chilean origin was EUR 89.3 million in the year ended December 31, 2018 compared to EUR -39.2 million in 2017. EBIT per kg was EUR 1.68 in 2018 compared to EUR -0.87 in 2017. The 2017 financial EBIT was significantly impacted by a EUR 97.2 million impairment of licenses.

#### Price and volume developments

Market prices for salmon of Chilean origin decreased by 1.9% in 2018 compared with 2017. The prices achieved were at the reference price

in 2018 compared to 4% below in 2017. Contracts impacted price achievement positively in both 2018 and 2017. The contract share increased to 22% in 2018 from 17% in 2017. The superior share for salmon of Chilean origin was 88% in both 2018 and 2017.

At 53 165 tonnes gutted weight, the harvest volume in the year ended December 31, 2018 was higher than in 2017, when it totalled 44 894 tonnes gutted weight. The increase is mainly due to the return to a more normal harvest volume following biological issues in previous years.

#### Costs and operations

Biology in Chile improved towards year-end 2018 mainly due to less SRS. The reduction in SRS outbreaks is mainly due to our new vaccination strategy which in turn has reduced mortality rates. Our usage of antibiotics has thus been significantly reduced. The total cost per kg for Chilean salmon harvested in the year ended December 31, 2018 was reduced by 2.8% compared with 2017 on improved biology and also a generally reduced cost level in the aftermath of the 2016 algal bloom. Incident-based mortality in the amount of EUR 1.4 million was recognised in 2018, mainly related to a major escape of fish from the Punta Redonda site in July. Incident-based mortality in 2017 amounted to EUR 2.5 million.

### SALMON OF IRISH ORIGIN

#### Operational EBIT

Our Operational EBIT for salmon of Irish origin was EUR 19.7 million for the year ended December 31, 2018 compared to EUR 29.9 million in the same period in 2017. The decrease is mainly due to lower volumes. The effect of higher costs was offset by improved prices for organic salmon. Operational EBIT per kg amounted to EUR 3.16

in 2018 compared to EUR 3.07 in 2017. Our EBIT for salmon of Irish origin was EUR 16.3 million in the year ended December 31, 2018 compared to EUR 30.9 million in the same period in 2017. EBIT per kg was EUR 2.62 in 2018 compared to EUR 3.17 in 2017.

#### Price and volume developments

Our Irish operation mainly produces organic salmon and there is no reference price available for benchmarking. Compared to 2017, prices achieved were up by 7% for the year ended December 31, 2018. Our contract share was 91% compared to 82% in 2017. The superior share of salmon harvested was 88% in 2018 and 89% in 2017.

The harvest volume in the year ended December 31, 2018 was 6 238 tonnes gutted weight compared to 9 745 tonnes in 2017. The reduction was due to lower opening biomass and reduced growth.

#### Costs and operations

The total cost per kg for salmon of Irish origin harvested in the year ended December 31, 2018 increased by 11.8% compared to 2017 mainly due to negative scale effects from decreased volumes. Incident-based mortality in the amount of EUR 4.8 million was recognised in 2018, compared to EUR 4.7 million in 2017.

### SALMON OF FAROESE ORIGIN

#### Operational EBIT

Our Operational EBIT for salmon of Faroese origin was EUR 13.7 million for the year ended December 31, 2018 compared to EUR 18.9 million in 2017. The effect of higher volume was more than offset by increased costs and lower achieved prices. Operational EBIT per kg was EUR 1.78 in 2018 compared to EUR 3.17 in 2017. Our EBIT for salmon of Faroese origin was EUR 15.3 million in the year ended



Faroe Islands

December 31, 2018 compared to EUR 18.2 million in 2017. EBIT per kg was EUR 1.98 in 2018 compared to EUR 3.05 in 2017.

#### Price and volume developments

The bulk of the salmon harvested was sold at favourable prices to Eastern Europe, and achieved prices in 2018 were 6% above (31% above) the reference price. Compared with 2017, price achievement was impacted by lower harvest weights and lower premium in the Eastern European markets on increased supply. The contract share was 0% compared to 4% in 2017.

The harvest volume in the year ended December 31, 2018 was 7 697 tonnes gutted weight compared to 5 980 tonnes in 2017. The higher volume in 2018 was due to the uneven smolt stocking pattern resulting from the limited number of sites in operations.

#### Costs and operations

In 2018, the cost level for salmon of Faroese origin was higher than in 2017 due to slow growth and biological challenges. There was no incident-based mortality in 2018 or 2017.

### Liquidity, Cash Flow and Borrowings

#### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand, revenues generated from our operations, loans and other financings. Our principal needs for liquidity have been, and will likely continue to be, costs of raw materials, including fish feed, other working capital items and capital expenditures, to service our debt, and to fund dividend payments and acquisitions. We believe that our liquidity is sufficient to cover our working capital needs in the ordinary course of business.

Our cash and cash equivalents as of December 31, 2018 was EUR 105.3 million compared to EUR 71.7 million as of December 31, 2017. Cash and cash equivalents comprise cash and bank deposits, including restricted funds. Restricted funds comprise employees' income tax withholdings as well as deposits to fulfill collateral requirements for financial instruments.

Our NIBD was EUR 1 037.2 million as of December 31, 2018, up from EUR 831.9 million as of December 31, 2017. As a result of the acquisition of Northern Harvest, the Board of Directors has revised the Farming NIBD/kg from EUR 2.0 to EUR 2.2 and the long-term net interest bearing debt target from EUR 1 200 million to EUR 1 400 million.

#### CAPITAL EXPENDITURES

Our capital expenditures primarily relate to investments in our operating facilities and equipment used in our operations. In 2018, we also made a significant investment in increased MAB (farming

licenses) in Norway related to the amended farming regulations, amounting to approximately EUR 70 million. Net capital expenditures were approximately EUR 340 million for the year ended December 31, 2018, compared to approximately EUR 250 million for the year ended December 31, 2017. For 2018 and 2017 respectively, EUR 145.1 million and EUR 79.2 million of the total net capital expenditure was attributable to our farming operations in Norway. The bulk of the capital expenditure in Norway, adjusted for the investment in increased MAB described above, was related to expansions in our fresh water operations, investments related to mitigation of sea lice, and general maintenance investments at our seawater facilities. The main purpose of the expansions in our fresh water operations is to enable the production of larger smolt.

#### CASH FLOWS

##### Cash flow from operations

Cash flow from operations for the year ended December 31, 2018 came to EUR 620.9 million, compared to EUR 632.4 million for 2017. The decrease was mainly due to lower operational earnings and increased tie-up of working capital. These effects were partially offset by lower taxes paid on reduced prepayments of tax.

##### Cash flow from investments

Cash flow from investments for the year ended December 31, 2018 came to EUR -563.7 million, compared to cash flow from investments of EUR -234.7 million in 2017. The difference of EUR 329.0 million is mainly related to purchase of 100% of the shares in Northern Harvest for approximately EUR 210 million, purchase of increased MAB in Norway for approximately EUR 70 million and increased capital expenditure, including the new feed factory in Scotland.

##### Cash flow from financing

Cash flow from financing for the year ended December 31, 2018 came to EUR -22.0 million, compared to EUR -425.5 million for 2017. In line with our dividend policy, dividends amounted to EUR 532.4 million in 2018 (EUR 640.3 million in 2017).

#### BORROWINGS

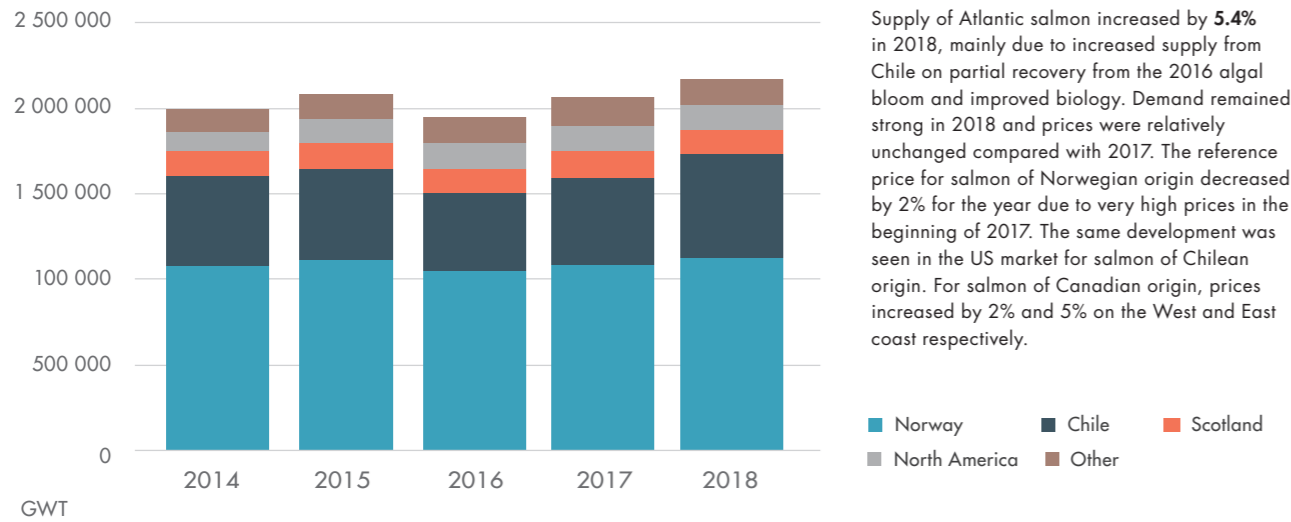
In 2018 we exercised the EUR 200 million accordion option of the bank facility. The bank facility has therefore been increased from EUR 1 206 million to EUR 1 406 million. The terms of the accordion option are the same as the original facility. We also completed the conversion of the EUR 340 million convertible bond to equity.

As of December 31, 2018 our main outstanding borrowings consisted of the EUR 1 406 million syndicated facility mentioned above, a unsecured bond of EUR 200 million.

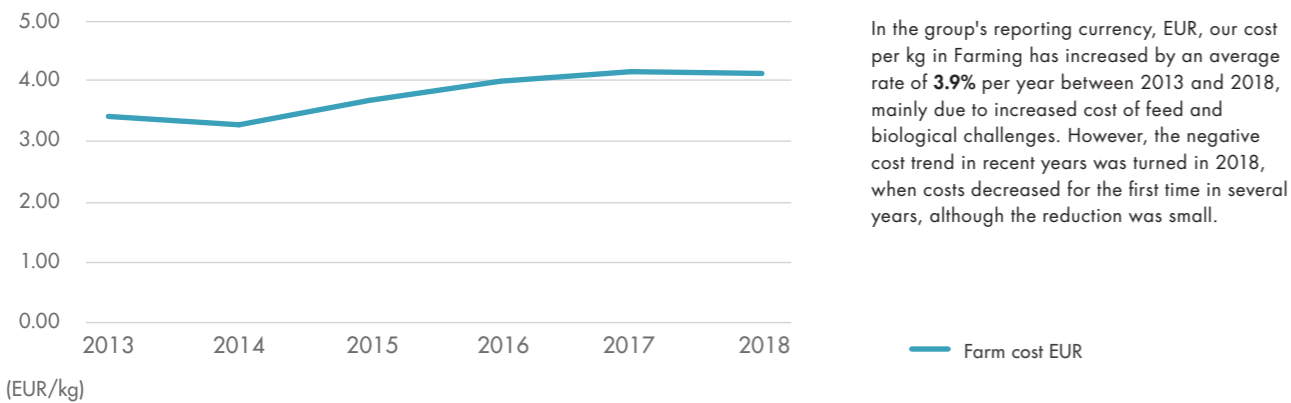
For further details of our borrowing facilities and bonds, please see Note 11 to the Group financial statement. For further details of how to analyse our performance, please see Part IV - Analytical Information.

## 2018 financial performance

### Development global supply of salmon



### Cost in Farming



### Another record year for Mowi Group

Record high turnover and second best year ever on profit. Record-high closing biomass in Farming, and all time high Operational EBIT in Consumer Products. New production record achieved in Feed.

All time high production in Feed

**348**

thousand tonnes produced (305)

All time high Biomass in Farming at year end

**305**

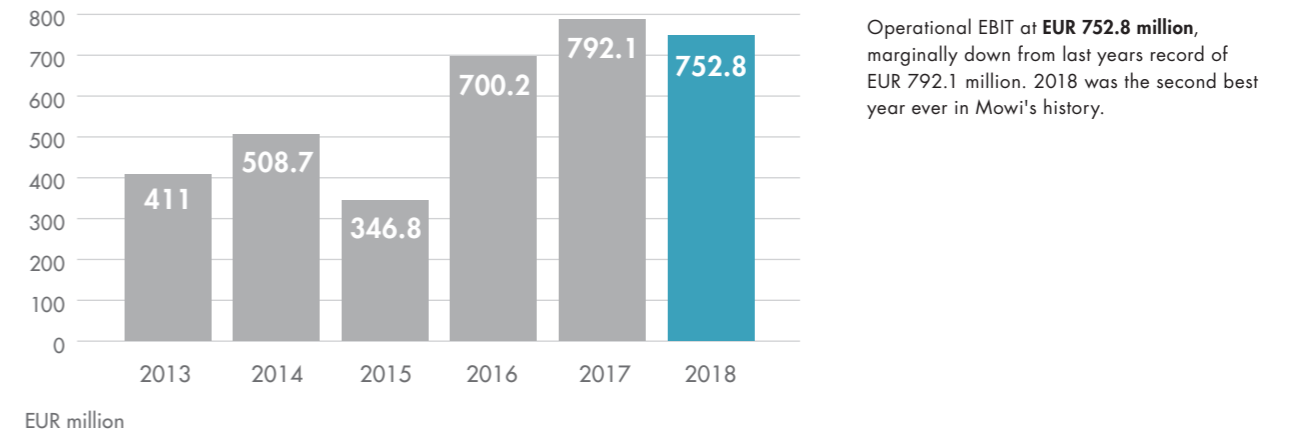
thousand tonnes (258)

All time high profit in Consumer Products

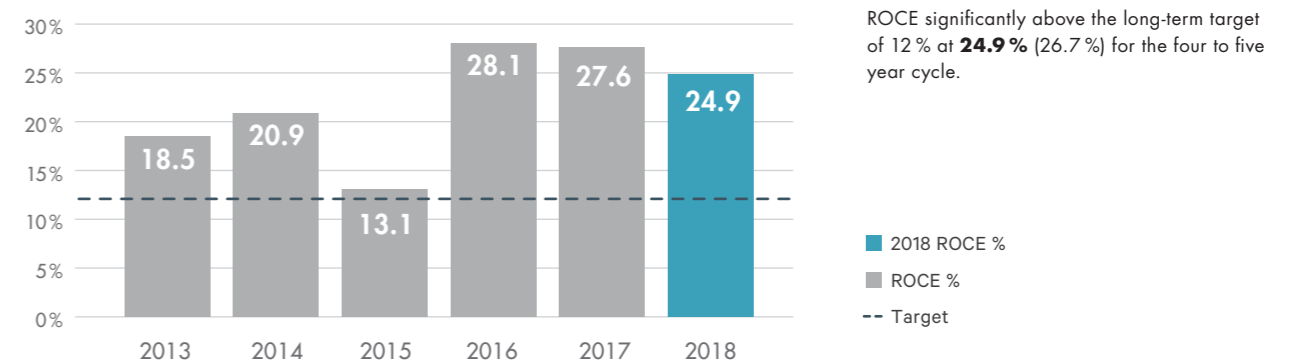
**88 mill**

Operational EBIT (76)

### Strong Operational EBIT



### Return on Capital Employed significantly above target



### Strong dividend and NIBD below target

Dividend of NOK

**10.4**

paid out to the shareholders as ordinary dividend (12.4)

NIBD of EUR

**1 037**

million at year end, (832 million) below target level of EUR 1 400 million.



## Mowi Scotland

# Investments in Europe now feeding our needs

It has been a hive of activity at Kyleakin on the Isle of Skye in Scotland with the construction of the world's newest salmon feed plant. There is a real sense of pride and anticipation throughout Mowi as we ready to open our second European fish feed plant.

### Investment

On the heels of the successful Bjugn feed plant - now producing nearly 350,000 tonnes for Mowi's Norwegian farms - we have made significant investments in the construction of the state-of-the-art feed mill in Scotland. With an annual production capacity of 170,000 tonnes, the feed mill will be of significant strategic importance to our global operation as it will ultimately supply all our farms in Scotland, Ireland, the Faroe Islands and some in Norway.

In 2018, £225,000 was spent on a comprehensive training scheme to ensure the team is ready to craft the perfect feed pellet at Kyleakin, which will be based on the best available and sustainably-sourced raw materials that provide optimum nutrition for fish. Sharing of information and best practices from a strong knowledge base built at Bjugn will also help provide a strong start.



Kyleakin feed plant, Scotland  
(Photo: Angus Blackburn)

*"We are proud of the feed mill we have created which is state of the art and is also now one of the biggest employers in the area. We feel it's important that it can be seen by as many visitors as possible."*

Kevin O' Leary  
Site Manager, Kyleakin



Kevin O'Leary, site manager, Kyleakin  
(Photo: Angus Blackburn)

### Strategy

Our aspiration at Mowi is to be a fully integrated company in all regions we operate, which means that along with growing, processing and selling salmon, we will have our own salmon breeding programme and feed supply. The opening of Kyleakin will be another significant step in achieving this global goal and strongly secures the company's feed supply for all Europe. During 2019 we will be 100% self sufficient with the high quality Mowi Feed.

Producing our own feed will give us complete control of the supply chain. We will determine the raw material, recipes and nutrition used in the feed to ensure we produce the healthiest salmon possible. By producing the feed ourselves, our business will be more efficient and we will be able to guarantee consistency of supply for all our farms as well as consistency of quality of the feed. This will give us greater control throughout the whole lifecycle of our salmon and help to deliver our salmon the nutrition key to the MOWI brand.

Finally, the prime location of Kyleakin - located on the coast in the West Highlands - we will also significantly reduce the transport of feed by road across Scotland as the raw materials will be delivered directly to the feed mill by boat. This will bring environmental as well as economic benefits. Both our feed mills are very strategically located in regards to our European farming operations.

### Flexibility

Kyleakin has been designed to be flexible. It will be capable of producing organic feed for our Irish farms, as well as non-organic feed for Scotland, Norway and the Faroe Islands. In addition to producing the best fish pellets for each stage in the lifecycle of a salmon, it will also have the capacity to supply other businesses in the fish farming industry.

### Positive impact on local economy

The facility will create 55 new full time jobs and, based on experience of a similar plant in Norway, has the potential to encourage a variety of indirect employment and spending throughout the local area and west coast of Scotland.

The feed plant has also proved a real draw for staff with specialist skills and knowledge in engineering, finance, feed and safety management from across the globe. Seven nations will be represented in the workforce at Kyleakin including Italy, India, Norway and Germany. Ultimately, 60% of the workforce will be local with the feed plant providing diverse and well-paid jobs in this rural area.

### Visitor Centre

Once the site is fully operational, we plan to develop a visitor centre and an accommodation block for visiting staff. This is a stunning location with wonderful views and seems the ideal place for a visitor centre where people can find out more about Scottish salmon, salmon farming and what we do at Mowi. Salmon farming is one of the Highlands' big success stories and we know a visitor centre would be a welcome addition to Skye.

As Kevin O' Leary, site manager at Kyleakin fish feed mill explains: "We are proud of the feed mill we have created which is state of the art and is also now one of the biggest employers in the area. We feel it's important that it can be seen by as many visitors as possible."

All eyes are on Kyleakin for 2019.

## Mowi Canada East

# Location, location, location

Prime and untapped growing areas and hungry nearby markets have the company's newest farming region ready to deliver.

Mowi's acquisitions of Gray Aqua and Northern Harvest are strategically important and position Mowi to grow in an attractive farming area on the East Coast of Canada. The market for salmon in the Northeast region of North America, home to 80 million people in cities across the region, continues to develop very favorably.

### On the Doorstep

Jamie Gaskill, Managing Director at Mowi Canada East, sees, and can't wait to seize the opportunity. "Location alone puts Mowi at the

doorstep of the growing Northeast North American market. We have, for too long, been physically absent from key market hubs of Boston and New York. This creates an ideal launch pad for the MOWI brand into this region in the coming years, because no other region can compete with freshness to this part of the world.

The original assets of the three companies, whether by good fortune or good planning, are combining well to help ensure this promise of delivery. "While Northern Harvest has provided



*"This creates an ideal launch pad for the MOWI brand into this region in the coming years, because no other region can compete with freshness to this part of the world."*

Jamie Gaskill  
Managing Director, Mowi Canada East

broodstock, egg, smolt supply, operating sea sites, processing, and sales, the former Gray territory in Newfoundland offers the future growth potential. Add the strength of Mowi's global expertise in human resources, research and development, communications, branding, feed and nutrition, and you've got a single entity ready to deliver strong results to our markets and to our shareholders." Optimisation of current operations combined with planned expansion gives the potential for considerable growth compared to today's volumes. Until the region realises its maximum potential, Jamie sees the business unit as developing two distinct halves.

### New and Improved

"One half is new territory - a literal 'blue ocean' - with no other farming neighbors or industrial activities. These sites are remote, cold and pristine, and regions like these rarely exist anywhere else in the world, if at all. We can build up a new and modern operation with farms growing the unique MOWI brand of salmon.

"The second half is where we have existing operations with hard working and knowledgeable people. Although the technology may be older and a bit worn, it is a well-functioning area and can be optimised and transformed over time to a more modern operation, even though it may take a bit of time to get there."



# Embracing environmental stewardship

Our operational success and long-term profitability ultimately depend on sustainable and environmentally responsible interactions with the natural environment.

## ASC certifications

Total of 78 ASC certified sites in 2018 (72 in 2017), representing 34% of all ASC certified sites producing Atlantic salmon globally.

## Escapes

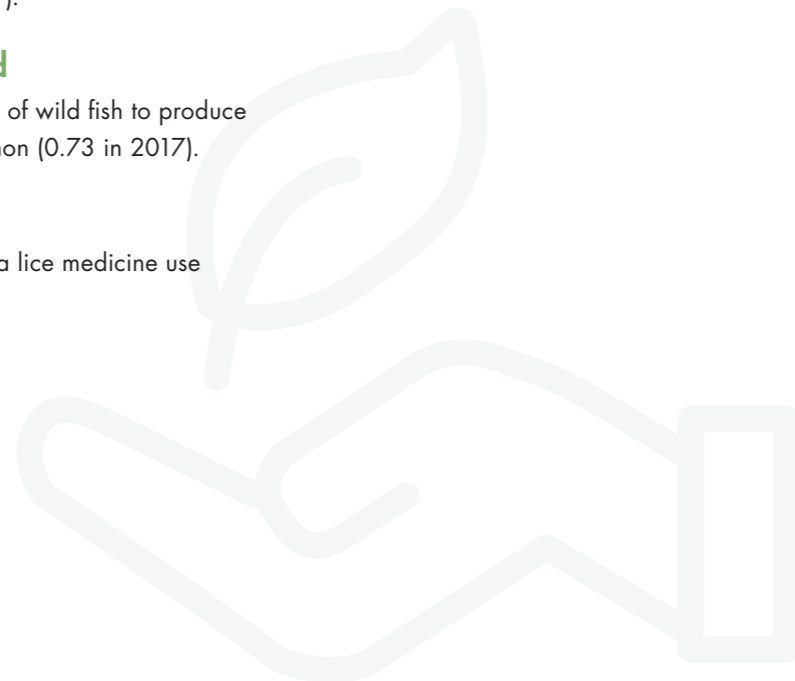
10 escape incidents with 783 313 escaped fish in 2018 (15 incidents with 23 223 escaped fish in 2017).

## Sustainable feed

It takes only 0.75 kg of wild fish to produce 1 kg of Atlantic salmon (0.73 in 2017).

## Medicine use

77% reduction in sea lice medicine use from 2016 to 2018



## PLANET

Sustainable and environmentally responsible development



PLANET

Material value driver	Ambition
Climate friendly food production	Positive trend towards 100% ASC certification 10% reduction of GHG emissions (scope 1 and 2) by 2025 for the whole group, including feed, farming and sales & marketing. Set up Science Based Targets for GHG emissions by the end of 2020
Prevent fish escapes	Zero escapes
Fish welfare, health and robustness	99,5% survival (avg per month) in sea, by 2022
Sea lice management	Reduction in % of sites above action limit (avg month) year-on-year. Reduction in sea lice medicine use (% year-on-year)
Responsible use of medicines and chemicals	Reduction in antibiotic use (g per tonne prod) year-on-year
Efficient and sustainable fish feed	100% compliance with our sustainable feed sourcing policy

The global picture - climate friendly food production

THE CHALLENGE AND THE OPPORTUNITY

For Mowi, sustainable development is the means to achieve long-term growth and profit. We are strongly committed to safeguarding the interests of future generations, by delivering more social and environmental benefits. We also see our contribution to the realization of the UN's sustainable development goals (SDGs) as a business opportunity. Out of the 17 SDGs, we can contribute significantly to at least ten: good health and well-being, gender equality, decent work and economic growth; reduced inequalities, sustainable cities and communities, industry, innovation and infrastructures; responsible consumption and production; climate action; life below water and partnership for the goals. For more on how Mowi is contributing to the SDGs, please see Leading the Blue Revolution in part 1.

Fish farming offers us a tremendous opportunity to help tackle some of the world's most pressing challenges, such as global climate change. Fish farming is among the most climate-friendly forms of animal husbandry. The carbon footprint of farm-raised salmon is only 2.9 kg of carbon equivalent per kg of edible product, compared to 5.9 kg of carbon equivalent per edible kg of pork and 30.0 kg per edible kg of beef (SINTEF, 2009). For the consumer, replacing pork and beef with fish would significantly reduce their personal carbon footprint (daily greenhouse gas (GHG) emissions). Not only the carbon footprint of farm-raised salmon is lower but its edible yield is higher (68%) as compared to chicken (46%), pork (52%) or lamb (38%). For Mowi, high edible yields combined with 100% re-use of by-products (i.e. offcuts and trimmings) means that nearly every single gram of salmon is used.

OUR EFFORTS

We have adopted a global approach to climate change, through the development of an overall policy and the implementation of global

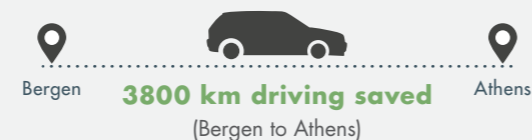
GHG Emissions

Your dietary choices have an impact on climate change

Daily GHG emissions of meat and fish consumers:



What will happen if a family of four replaces, every week, one meat with one fish dinner?



Comparing a high meat-eating consumer's daily GHG of 7.19 kg CO<sub>2</sub>e/day with a fish-eating consumer's 3.91 kg CO<sub>2</sub>e/day. Data based on Scarborough et al 2014. Dietary greenhouse gas emissions of meat-eaters, fish-eaters, vegetarians and vegans in the UK. Climate Change 125: 179-192. Data on GHG emissions per km driven is based on UK Government GHG Conversion Factors for Company Reporting, DEFRA 2016.



minimum requirements for reduction targets, energy-saving initiatives and reporting. We aimed at reducing our absolute GHG emissions and energy intensity at our processing plants by 10% by the end of 2018 using 2016 as a reference year. We have not achieved that target for all our processing plants, although 43% of factories did achieve a reduction by 10% of GHG emissions and 24% achieved a reduction in energy consumption intensity. In 2018, we implemented a number of energy-saving initiatives at our primary and secondary processing plants, including the replacement of a total of 1729 incandescent lights with LED lights.

Our energy consumption and GHG emissions data are reported internally on a quarterly basis, and audited annually. We disclose our GHG emissions strategy and performance in association with the Carbon Disclosure Project (CDP) and have committed to set up science-based emission reduction targets by 2020. Financial implications and other risks and opportunities due to climate change are reported in CDP on an annual basis.

We believe that we can accelerate progress by focusing on key partnerships. In 2017, we worked closely with the Global Salmon Initiative (GSI, <https://globalsalmoninitiative.org/>) on transparency and sustainability reporting and several initiatives linked with ASC certification, non-medicinal approaches to sea lice management and sustainable feed sources. We continued to support the Global Sustainable Seafood Initiative (GSSI, <http://www.ourgssi.org/>), which plays an important role in providing clarity on seafood certification.

As part of the Keystone dialogues (<http://keystonedialogues.earth/>), Mowi and other key players in the seafood industry have launched a joint global initiative called "Seafood Business for Ocean Stewardship" (SeaBOS). Our contribution to this initiative ranges from increasing transparency and traceability at our own operations, working with governments to improve regulations and working towards reducing the use of plastics in seafood supply chains.

In 2018, we continued to align our sustainability strategy with the UN universal principles on human and labour rights, the environment and anti-corruption, and to take actions that advance societal goals (<https://www.unglobalcompact.org>).

2018 RESULTS

Energy consumption and greenhouse gas emissions

In 2018, Mowi's total GHG emissions (scope 1 and 2) decreased 1,7% from 215 281 tonne CO<sub>2</sub>e in 2017 to 211 445 tonne CO<sub>2</sub>e in 2018. This is mainly a contribution of a reduction in GHG emissions in our feed (8% reduction) and in our sales and marketing (5.4% reduction) business areas. Our farming business area increased GHG by 1.8%. Our main sources of energy are electricity (41%) and diesel (25%) followed by fuel oil (14%), natural gas (13%), propane (3%), heating oil (3%) and gasoline (1%).

In the Farming business area, the intensity of our GHG emissions decreased from 241 (in 2017) to 239 kg CO<sub>2</sub>e/tonne biomass

ENERGY AND GHG EMISSIONS (SCOPE 1 AND 2)

	2018	2017	2016
<b>Energy consumption</b>			
Direct energy consumption (Scope 1)	1 721	1 671	1 561
Indirect energy consumption (Scope 2)	1 204	1 168	1 056
<b>Total energy consumption (TJ)</b>	<b>2 925</b>	<b>2 839</b>	<b>2 618</b>
<b>GHG emissions</b>			
Direct energy consumption (Scope 1)	121 784	122 914	111 818
Indirect energy consumption (Scope 2)	89 661	92 367	86 965
<b>Total GHG emissions (tonne CO<sub>2</sub>e)</b>	<b>211 445</b>	<b>215 281</b>	<b>198 782</b>

GHG emissions (scope 2) is location-based. Indirect GHG emissions refer to electricity consumption and district/indirect heating, while direct GHG emissions refer to use of fossil fuels, such as diesel, fuel oil, gasoline/petrol, heating oil, natural gas and propane/LPG as well as refrigerants. The methodology used for the carbon accounting is A Corporate Accounting and Reporting Standard (Revised Edition). The chosen consolidation approach for emissions was operational control. All figures are direct consumption reported by each Business Unit, multiplied by an energy conversion factor and carbon emission factor per unit consumed. All emission and heating value factors for direct GHG emissions are from DEFRA2018, while emission factors for indirect GHG emissions are based on a three-year rolling average calculation (2014-2016) using International Energy Agency statistics. The emission factor for electricity consumption in Norway is the Nordic average production mix 2014-2016. The GWP reference is IPCCAR5 (IPCC Fifth Assessment Report). All six greenhouse gases are taken into account and converted into carbon dioxide equivalents (CO<sub>2</sub>e). All figures listed as CO<sub>2</sub>e in the report are metric carbon dioxide equivalents. 2016 and 2017 results were adjusted in accordance with the most recent data set. Mowi is aware that the data presented in the climate report is somewhat erroneous due to varying reporting methods among the Mowi farming and production sites. Mowi is working to improve its procedures for greenhouse gas reporting to reduce future error estimates.

produced in seawater in 2018. This was the result of both an increase in absolute GHG emissions and an even higher increase of produced volumes at sea. All farming units increased their GHG emissions with the exception of Ireland and Scotland.

In the Feed business area, the intensity of GHG emissions decreased from 65 to 52 kg CO2e/tonne feed produced. This is mainly attributable to ongoing energy saving initiatives such as upgrading drying equipment for better control of air flow and reuse of condensate water from vacuum pumps.

In 2018, we have calculated and audited our scope 3 emissions in connection to sourcing feed raw materials to our feed business area (following the ASC guidelines for GHG accounting of feed, the GHG Product Standard and the carbon footprint of feed raw materials provided by SINTEF 2012' Life Cycle Assessment). Our estimates indicate that sourcing and transportation of feed raw materials resulted in 742 392 tonnes of CO2e or 2.25 kg CO2e/kg feed produced.

The intensity of GHG emissions from the Sales & Marketing business area, which includes our secondary processing units and sales offices across the globe, increased from 254 to 376 kg CO2e/tonne sold end product. This is explained by production of more value-added products in our plants in Europe and Japan.

In 2018, we achieved our target of 10% reduction in absolute GHG emissions (scope 1 and 2) at our processing plants at 16 plants (43% of all our plants). Nine of our factories (24%) decreased their energy intensity more than 10% as compared to eight plants (22%) in 2017.

**ASC certifications**

Third-party certification remains key to our sustainability strategy. 100% of all our farming sites are certified by ASC, BAP or GlobalGAP (see list of certifications in our Product section).

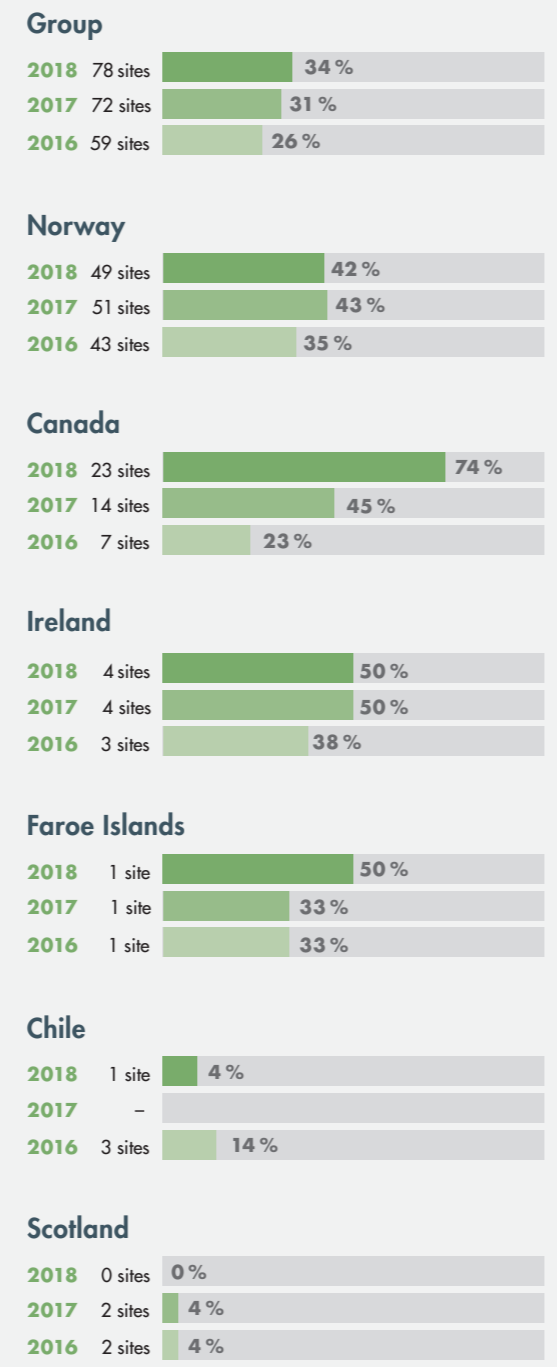
We continue our ASC (Aquaculture Stewardship Council) certification efforts. At the end of 2018, Mowi accounted for 34% of all the ASC certified Atlantic salmon sites worldwide, reaffirming that we are the leading producer of ASC certified farm-raised salmon.

We certified a total of six new sites in 2018, bringing the accumulated total to 78 sites for Mowi Group. This represents 34% of all our farming facilities. In Scotland, two sites did not renew their certificates due to changes in the production plan leading to surveillance audits being scheduled during following period and therefore audits had to be canceled. The same reason applies for Norway where the total number of ASC certified sites decreased from 51 to 49. In Norway, Canada, Ireland and Faroe Islands, more than 40% of all our sites are now ASC certified. In addition, 48% of all of Mowi's harvested volumes were ASC certified in 2018. These positive results reflect the commitment and dedication of our ASC implementation teams.

**Mowi ASC certified sites**

**We are the leading company with the highest number of ASC certified globally**

Number of sites certified (% of total sites)



Public reporting information for our ASC sites is available at asc-aqua.org.



*"As a salmon farmer I care deeply for our entire ecosystem. I aspire to work as a steward of the ocean, leading the Blue Revolution. I have a tremendous passion for my career and am very proud of the ASC certification my site and our company has achieved."*

Michelle Bluhm, Site Manager at Monday Rocks, Mowi Canada West

**Plastic management**

The presence of microplastics in the world's oceans is an emerging issue that we have started to focus on. In 2018, we developed our Plastic Waste Management Policy (a full version can be found in Mowi's website), implemented a series of initiatives to reduce the use of plastic in our operations (see Reduce, Reuse Recycle: Plastic 2018), continued our partnership with SeaBOS to advance plastic waste management in the seafood industry and rolled out several clean up events at beaches around the world. We also monitored the presence of microplastics and plastic-related contaminants in our fish and our results show no microplastics are detected in the fillets and there is no increase on plastic-related contaminants over the years.

**PRIORITIES GOING FORWARD**

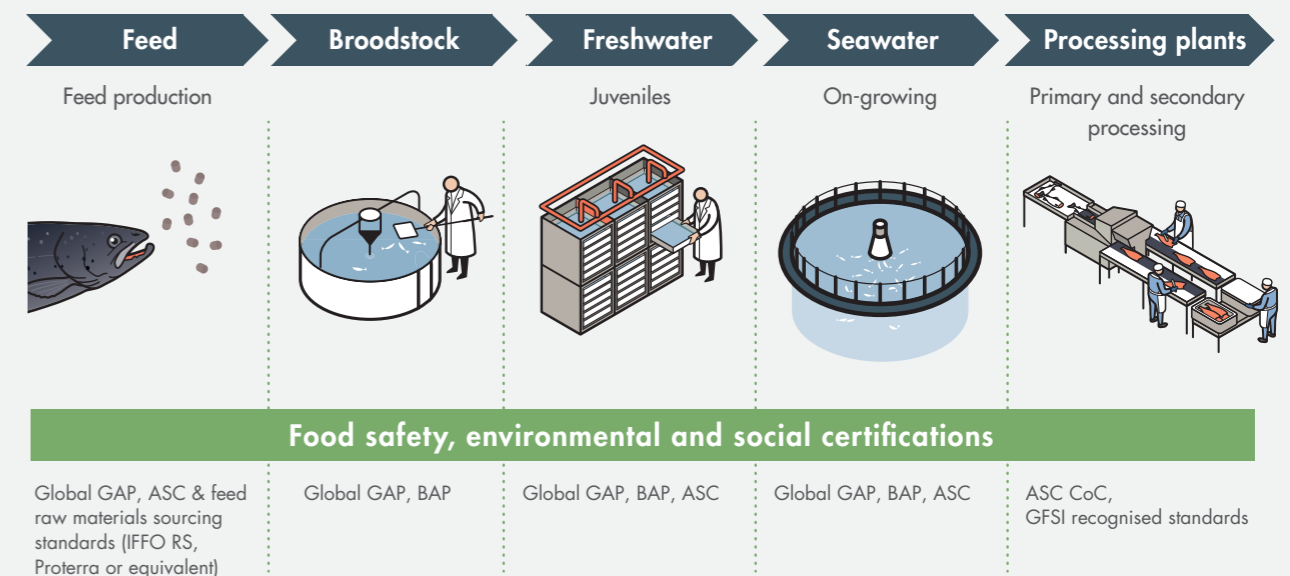
To Lead the Blue Revolution, we must have a positive impact on global issues, such as climate change, and also tackle environmental challenges that are more industry-specific. Moving forward, we will continue to focus on verification of our improvements by reputable third-party certification schemes, such as the ASC, BAP and Global GAP. In 2019, we aim to increase the number of ASC-certified sites in Chile and Scotland, and will continue the roll-out to our remaining units. In 2019, we expect to certify an additional 10 sites worldwide.

We have set a new target for GHG emissions, 10% reduction of absolute GHG emissions by 2025 using 2016 as a reference year. This is applicable not only to our processing plants but to our farming and feed operations. In addition, we seek to set up GHG emission reduction targets that are informed by independent climate science and that are in line with the Paris agreement on Climate Change. These targets are called Science-based targets and we are committed to set them by the end of 2020. In the next year, we will also work towards mapping and estimating the remaining scope 3 emissions along our value chain. In 2019, we aim at continuing our transition from diesel use to electrical power from land at our sea sites in Norway. At present, 92%, 72% and 21% of our sites are using electricity from land in region South, Mid and North respectively.

Overcoming the plastic waste challenge remains an important issue for our business and our stakeholders and as such we will continue our efforts to implement our plastic waste management policy including future reporting of waste generated by our operations. Key partnerships will remain important for us moving forward. Our support for and contribution to the GSSI, GSI, UN Global Compact and SeaBOS initiatives will continue in 2019.

**Our certification strategy along the value chain**

**From feed to plate we make sure our operations are certified against the strictest standards available.**



## Escape prevention

### THE CHALLENGE

Because escaped farm-raised salmon may have a negative impact on the environment, due to ecological interactions and interbreeding with wild populations, we have set a target of a positive trend towards zero escapes.

### OUR EFFORTS

Our focus on preventing escape incidents includes a diversity of actions including:

- investing in new technologies and upgrading farming equipment
- implementation of the Norwegian Nytek standards for technical requirements on the dimensioning, design, installation and operation of fish farming installations
- implementation of our internal global standard which sets minimum requirements regarding equipment certification, training, risk-assessment, reporting, mitigation, drills and checklists
- undertaking risk-assessment when running large operations or using new equipment
- preventing human error by focusing on training and simplification of procedures. In 2018, we updated our global training program on escape prevention and mitigation. This training aims to reaffirm our internal standard for seawater and freshwater management, including the sharing of experiences and lessons to be learned after escapes, and the highlighting of behavioural changes that can make a difference. We focused on simplifying procedures and developing checklists that our site managers can use to help prevent human error leading to escapes.
- sharing main learning points after each incident with all site managers globally using our escape info sheets (in Norwegian, English and Spanish)
- innovating, through R&D, for better anti-fouling strategies that minimise the need for net cleaning and for better sea lice treatment strategies that minimise net handling.

### RESULTS

In 2018, the number of escaped salmon increased to a total of 783 323 ( 10 escape incidents), compared to 15 escape incidents and a total of 23 223 escaped fish in 2017. This significant increase is disappointing and mainly a result of one incident in Chile where 651 991 fish escaped from the site Punta Redonda. This incident seems to be a result of collapse of the cage structures during extreme weather conditions lasting for five days during which strong winds and waves imposed structural efforts that exceeded the conditions of the net pen design. After the incident, significant efforts were made to undertake an internal assessment of all sites in collaboration with suppliers and engineering experts. The model of the net pens linked with this incident will be rebuilt and we will continue to work with suppliers to find better infrastructure solutions.

In Norway, two incidents in region North resulted in 106 746 escaped fish. Both incidents relate with net handling, one created by the rupture of the bottom ring during lift-up prior to delousing and the other likely during net cleaning. In Scotland, during a storm, the anchor was dragged allowing the net to contact mooring lines, resulting in net failure.

### PRIORITIES GOING FORWARD

We will continue our efforts to reduce the number of escape incidents by strengthening our collaboration with suppliers of net pens to secure a more robust design in exposed sites, improve our training programs, which focus on minimising human error, ensuring that best practices for delousing operations are followed and implementing anti-fouling strategies that reduce the need for net cleaning. We will engage in research to test sensor technology as a way to detect holes in nets. We value the development and implementation of compulsory national standards on technical requirements on the dimensioning, design, installation and operation of fish farming installations, such as the Norwegian Nytek standard. In 2019, we will strengthen our dialogue with the Chilean authorities to develop such technical standards.

### NUMBER OF ESCAPE INCIDENTS AND FISH ESCAPED

	2018		2017		2016	
	Number of escape incidents	Number of escaped fish	Number of escape incidents	Number of escaped fish	Number of escape incidents	Number of escaped fish
Norway	5	106 746	7	1 300	7	9 738
Scotland	2	24 584	3	1 571	1	50
Canada	2	2	3	4	2	2
Chile	1	651 991	1	348	—	—
Ireland	—	—	1	20 000	1	3 000
Faroe Islands	—	—	—	—	—	—
<b>Group</b>	<b>10</b>	<b>783 323</b>	<b>15</b>	<b>23 223</b>	<b>11</b>	<b>12 790</b>



## Fish Health and Welfare

### THE CHALLENGE

Safeguarding the health and welfare of our stocks is a prerequisite for optimal performance and is both financially beneficial and positive for the environment.

### OUR EFFORTS

Our goal is to rear healthy fish and ensure the welfare of our stocks. We tend our fish under conditions that satisfy their biological needs for food, clean water and space and we ensure that our fish obtain the necessary nutrients for good health throughout their lives. Our fish are stocked at densities that balance welfare and enhance performance. Coordinated following and synchronised production are integral components of our farming practices and which reduce biological risk.

Under the supervision of our fish health professionals, we continuously apply good husbandry practices and biosecurity standards to optimise the health of our stocks. High standards of fish health and welfare are achieved through compliance with veterinary health plans, recognised standards and certification schemes (such as those of the Royal Society for the Prevention of Cruelty to Animals, Global GAP, ASC and the OIE Aquatic Animal Health Code), local welfare laws and regulations. Smolt quality and vaccination are key factors. We vaccinate 100% of our fish and take a great deal of care to ensure the quality and robustness of our smolt, in order to reduce health risks.

### RESULTS

In 2018 the Group achieved 98.7% average monthly survival (% biomass) in seawater. As a result of our on-going efforts to reduce the risk of infectious diseases, these accounted for 36% of the total number of fish lost during the year. The remaining 64% were lost to non-infectious causes.

Further implementation of measures to control Salmonid Rickettsial Septicaemia (SRS) in Chile, including 100% vaccination with a new vaccine, resulted in a significant reduction in losses. Relative to 2015, biomass and numbers lost to SRS have now been reduced by 82% and 83% respectively. Losses associated with Heart and Skeletal Muscle Inflammation (HSMI), Amoebic Gill Disease (AGD), sea lice treatment and gill infections were reduced by 59%, 33%, 41% and 47% respectively in 2018 compared to 2017.

The incidence of, and losses to, Cardiomyopathy Syndrome (CMS), Pancreas Disease (PD) and poor performers in 2018 were similar to 2017 and may be partly attributed to additional fish handling to address the sea lice challenge and reduce the use of medication. Relative to 2017, losses to algal blooms increased in 2018 and were mainly associated with our operations in Canada. Despite continuing to apply our strict risk management approach to Infectious Salmon Anemia, one case was recorded in Norway in 2018. While treatment losses were reduced, this, along with CMS, PD and gill infections, remain our priority focus areas for improvement. Through



## Mowi policy on salmon welfare

### Why we care about fish welfare

Caring about fish welfare is an ethical responsibility and an integral part of our business strategy as it can impact our productivity and reputation.

### Our definition of fish welfare

Mowi recognises the accepted Five Freedoms for animal welfare and adopts the World Organisation for Animal Health (OIE) definition of animal welfare: A good state of welfare is if it is healthy, comfortable, well nourished, safe, able to express innate behaviour and it is not suffering from unpleasant states. Good welfare requires disease prevention and veterinary treatment, appropriate shelter, management, nutrition, humane handling and humane slaughter.

### How we safeguard the welfare of farmed-raised salmon

- Train our employees
- Farm under optimal environmental conditions
- Secure optimal health and, when needed, responsible medicine use
- Apply optimal feed and feeding practices
- Vigilance of fish behaviour
- Use humane slaughter methods
- Apply internal and global fish welfare standards
- Ensure service and equipment suppliers adopt our standards
- Monitor and report operational welfare indicators
- Continuously improve through R&D

MAIN CAUSES OF REDUCED SURVIVAL

	INFECTIOUS		NON-INFECTIOUS	
	FISH NUMBERS	BIOMASS	FISH NUMBERS	BIOMASS
1	CMS	CMS	Treatments	Treatments
2	Wounds	Gill infections	Poor performers	Physical damage
3	Gill infections	Wounds	Physical damage	Poor performers
4	PD	PD	Transport	Handling

(CMS, Cardiomyopathy Syndrome; PD, Pancreas Disease)

our breeding and genomic selection program, further advances were made in selection of fish stocks with resistance to PD, CMS and sea lice, and this is expected to result in further improvements in survival rates.

An extensive review of our approaches and practices to promote good fish welfare was undertaken in 2018 and showed that we place firm and continuous attention on fish welfare. Several operational welfare indicators (OWIs) are currently applied through the laws, regulations, standards and certification schemes adopted in our operations. Further development and standardisation of OWIs will be undertaken going forward. For more information on Mowi's approach to fish welfare see our salmon welfare policy (a full version can be found in our website).

PRIORITIES GOING FORWARD

Safeguarding the health and welfare of our stocks, and improving survival rates, will remain a primary focus in 2019. We will continue to closely monitor the causes of reduced survival and set our R&D priorities accordingly. Further development of welfare standards, more gentle systems for sea lice treatment, the application of new vaccines, advances in genomic selection for disease resistance and the outputs from several important R&D projects are expected to contribute towards our long-term goal of >99% monthly survival. We will continue to support industry research initiatives in the area of fish health and welfare, and we will continue to engage in the development of better industry practices through the Global Salmon Initiative. In 2019, we will work towards a global and standardised system for welfare data capture and reporting.

Sea Lice Management

THE CHALLENGE

Effective sea lice management is important for fish welfare and to ensure sea lice on our farms do not negatively impact wild salmonid stocks. Sea lice also represent a significant cost to the industry.

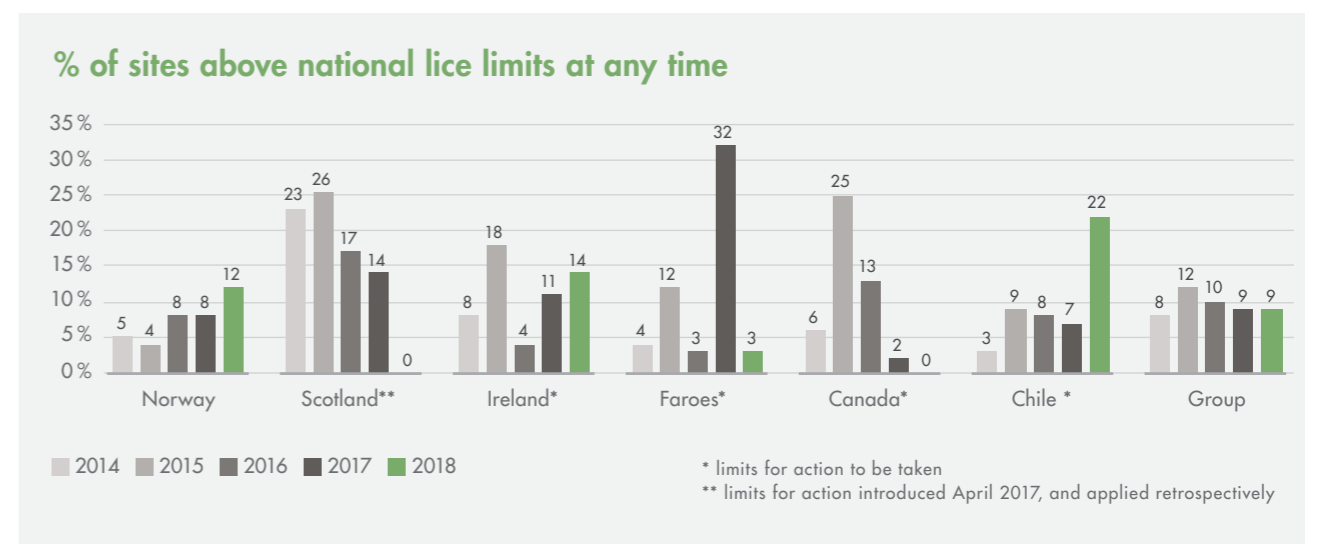
OUR EFFORTS

We continuously strive to improve our approach to sea lice management and minimise the number of adult female sea lice at our sites, especially during the period when wild salmon smolt migrate to sea. Our goal is to manage sea lice in an integrated manner and reduce our reliance on medicines, through the application of strategic, preventive and non-medicinal measures, such as cleaner fish. We continue to respect the precautionary statutory limits on the maximum number of sea lice per fish, set by relevant authorities. We continuously develop and implement better management practices and the sharing of best sea lice management practices between our operations. Our R&D activities target innovative biological and non-medicinal methods to control sea lice.

RESULTS

We have taken further strides towards our goal of managing sea lice in an integrated and sustainable manner, while reducing the amount of medicines used. We invested further in the use of cleaner fish and non-medicinal treatment systems. An extensive review of our sea lice strategy in Norway revealed that further improvements in sea lice control have been made and we identified areas where additional progress can be achieved. In 2018, we again increased our R&D activities on sea lice management and made good progress on several projects to develop novel solutions for safe and cost-efficient sea lice control (see R&D section).

Preventive equipment, such as skirts around our pens and deep lights which keep sea lice away from the salmon, was used comprehensively in 2018. At operations with non-medicinal treatment systems, an average of 62% (range 24-92%) of all treated fish were treated using non-medicinal tools (55% in 2017). The proportion of fish treated varied, depending on equipment availability, environmental conditions and fish size.



Further advancements were made in cleaner fish production in Norway, Scotland and Ireland, and we continued our investment in cleaner fish R&D in Canada and the Faroes. On average, 76% of those operations with access to cleaner fish made use of them in 2018 (78% in 2017).

The average monthly percentage of sites above national sea lice limits (at any time) for each Business Unit is shown in the figure at the end of this section. Good progress was achieved in Scotland, Faroes and Canada, while a slight increase was observed in Norway and Ireland. In Chile, several factors including environmental challenges, limited access to non-medicinal treatment systems and high lice challenge pressure, hampered full application of our lice strategy.

While we observed a satisfying decrease in losses associated with sea lice treatments, we continue to strengthen our efforts to further develop integrated approaches and more gentle non-medicinal treatment systems in our operations.

PRIORITIES GOING FORWARD

Maintaining low levels of sea lice at our sites will remain our first priority. We will continue to optimise existing solutions, develop novel and cost-effective methods (through our Lice Action Team) and increase our expertise with regards to the use and welfare of cleaner fish. In Chile we will focus on the development of non-medicinal treatment systems. Our ambition is to ensure that sea lice control is based principally on integrated and non-medicinal approaches, allowing us to reduce the use of medication.

Medicine use

THE CHALLENGE

Licensed medicines may have potential environmental impacts if used too frequently. The risk of sea lice developing reduced sensitivity to medicines is also a concern for the industry.

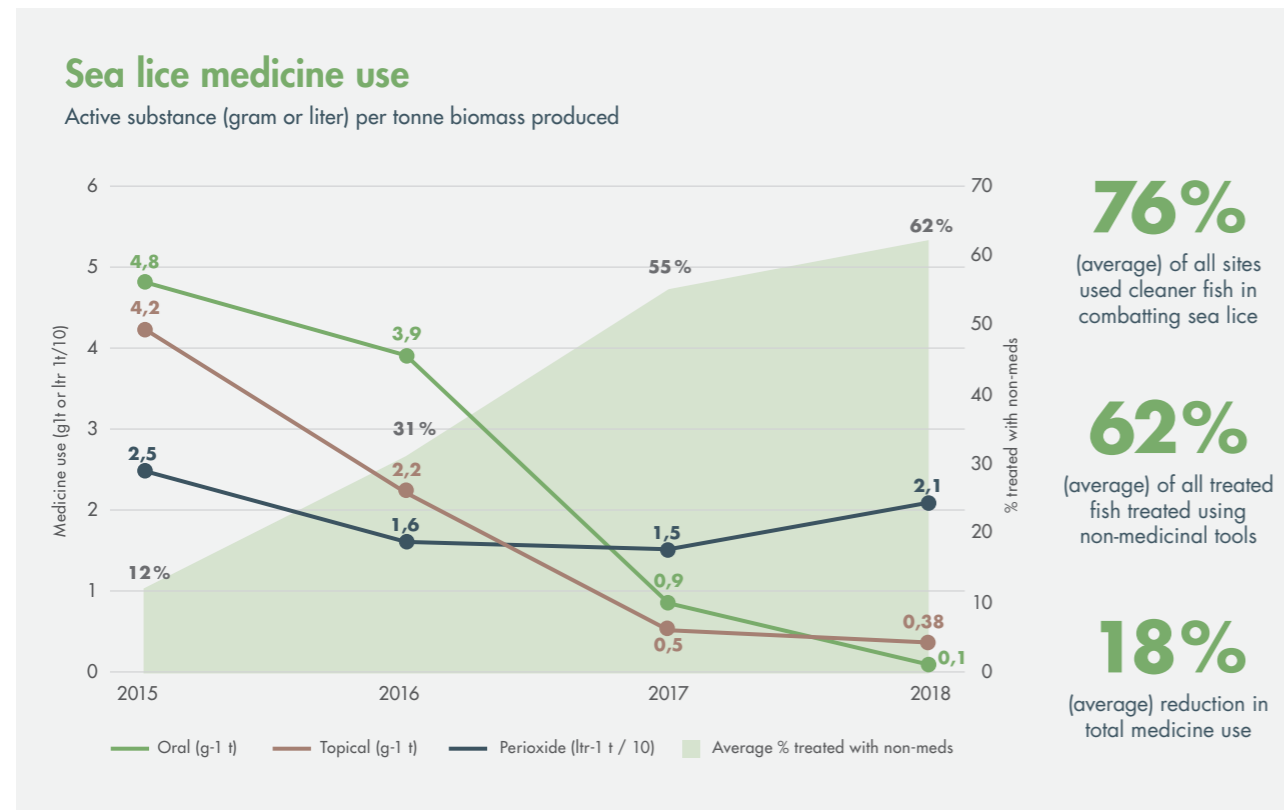
OUR EFFORTS

With our strong focus on optimising fish survival and preventing disease, licensed medicines are only used when absolutely necessary. Sea lice medicines are additional tools for integrated management and ensuring lice from farms do not impact wild salmonids. We use licensed antibiotic medicines only when fish health and welfare are at risk from bacterial infection. Medicines are applied in a responsible manner, never prophylactically, and we ensure there are no residues at harvest.

RESULTS

Sea lice management

Licensed medicines for sea lice control are prescribed and used only when required, under the supervision of authorised veterinarians and fish health professionals. As a consequence of the broader application of our lice strategy and use of non-medicinal treatment systems, our medicine use again fell in 2018. The use of oral medicines and hydrogen peroxide declined compared to 2017. The use of topical medicines rose slightly compared to 2017 and this was principally related to sea lice management in Chile. From 2017 to 2018, our total medicine use and total active substance use (g/t biomass produced) were reduced by a further 18% (77% from 2016 to 2018) as a result of the success of our sea lice strategy and the increased use of non-medicinal treatment methods.



#### Bacterial challenges

Licensed medicines for bacterial infections were prescribed and used only when required, and under the supervision of authorised veterinarians and fish health professionals. For information about withdrawal periods and medicine residues in our end products, please see the Product section.

In total, our use of antibiotics (gram of active substance per tonne produced) to combat bacterial infections decreased from 62g in 2017 to 40g in 2018. No antibiotics were used in our operations in the Faroe Islands and significant reductions were achieved in Scotland and most notably Chile. Salmonid Rickettsial Septicemia in Chile is a particularly challenging disease, since the causative agent, *Piscirickettsia salmonis*, is an intracellular bacteria, towards which vaccines have been relatively ineffective. Full scale application of a new vaccine contributed to the significant reduction in Chile. Antibiotic use increased in Canada because of increased bacterial challenges (*Moritella viscosa*) and the presence of wounds. Consequently, a new vaccination strategy has been implemented to address these developments. Due to an outbreak of Enteric Redmouth Disease at a cluster of sites in a small area of mid-Norway, which were stocked before implementation of our new vaccination

strategy, three antibiotic treatments were prescribed for the health and wellbeing of the fish and to prevent the disease from spreading. The amount of antibiotic medicine used was small and represented only 2.6g per tonne produced. An overview of our use of antibiotics is shown at the end of this section.

The number of fish treated with antibiotics remained low in 2018, at 0.1% in freshwater (0.3% in 2017) and 3.1% in seawater (2.5% in 2017).

#### PRIORITIES GOING FORWARD

Reducing the use of antibiotics in our operations will remain an important priority. Several important R&D and best practice initiatives, together with more focus on vaccination against Salmonid Rickettsial Septicemia in Chile and wounds in Canada, are expected to reduce biological risk and contribute to a further decrease in antibiotic use. We will direct more attention towards the issue of antimicrobial resistance and management. Continuous implementation of our sea lice strategy, non-medicinal control methods, advances in our breeding program and compliance with the ASC standard are expected to contribute to further reductions in the use of sea lice medicines.



## Biodiversity

### THE CHALLENGE

Conserving the pool of biological diversity available to future generations is key to our business. We need healthy oceans, not only to drive sustainable salmon farming, but also to support flourishing societies and buoyant national economies. We acknowledge that our activities potentially could impact biodiversity as a result of sea lice, medicinal treatments, fish escapes, organic loading/nutrient release and the sourcing of feed ingredients. For this reason, we strive to keep any negative impact to an absolute minimum.

### OUR EFFORTS

In 2018, we once again paid due regard to critical, highly sensitive environmental areas, special areas of conservation (SAC) and/or special protected areas (SPA) in the vicinity of our seawater sites.

Some of our sites are located close to protected areas or highly sensitive areas of biodiversity. For example, in Norway, we operate one site in a National Preservation-fjord for Atlantic salmon and two sites in a landscape conservation area. We follow closely the results from our benthic surveys to ensure these sites have a minimum negative impact.

In Scotland, during 2018 we had 44 marine sites in operation with 11 of these sites located in Special Areas of Conservation (SAC) with a further 12 sites in areas classified as both SAC and Marine Protected Areas (MPAs). All of these sites with the exception of three have been in operation prior to the date of designation reflecting the minimal impact that farming operations has had, and continues to have on the conservation objectives of these designations. In order to safeguard Protected Areas there is a robust environmental assessment process that apply to the licensing of new activities and such activities will only be licensed by regulatory authorities if it can demonstrated there is no significant risk to the status of these areas.

In Canada, none of our sites operate near official High Conservation Value Areas (HCVA) or Federal Marine Protected Areas. However, 12 marine sites border the Broughton Archipelago Provincial Marine Park. In 2010, at The Conference of the Parties to the Convention on Biological Diversity (CBD), Canada committed to Target 11, "to improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity". To meet the objective, Canada must protect by 2020 "at least 10% of coastal and marine areas, especially areas of particular importance for biodiversity and unique ecosystems. This initiative/process has commenced and Mowi Canada West is engaged. At this time, candidate MPAs (Marine Protected Areas) has not been tabled for public consideration.

In Chile, we operate three marine sites located in a nature sanctuary called Estero Quitralco. Two of these three sites are also located in the Isla Kent-Quitralco Priority Conservation Area. In addition, we operate seven sites in Las Guaitecas National Reserve. All sites located in protected areas comply with the required national laws and internal Mowi standards.

In Ireland, five of our marine sites are located within special areas of conservation. These sites have several habitats listed in Annex I of the EU Habitats Directive, such as reefs, large shallow inlets, bays, tidal mudflats and sand flats. A further two marine sites are located within five kilometers of SPAs designated under the EU Birds Directive. For all of these protected sites, we undertake annual monitoring of the seabed, resulting in a comprehensive database of seabed animals under and adjacent to our sites. This, coupled with careful feed management and site following, will continue to ensure that our production does not negatively affect such areas.

### RESULTS

All our farming operations are certified according to standards that take account of biodiversity. These standards, such as Global GAP, BAP and ASC, include criteria to minimise environmental impact and preserve biodiversity. Mowi is an industry leader when it comes to ASC certification, and we are continuing our efforts to certify our sites going forward. In addition, our responsible sourcing policy for feed ingredients is key to ensuring that both the marine and non-marine raw materials used in our fish feeds do not compromise biodiversity. Both our own feed plants and external feed suppliers must comply with this policy (see sustainable feed section).

### Circular economy and waste

We also recognise that to protect our natural capital, we need to adopt a circular economy perspective and derive the most value of resources during their lifetime. For Mowi, circularity is a priority in rethinking how we handle our waste, including plastic (see Reduce, Reuse, Recycle: Plastics in 2018). In addition to plastic waste, we have adopted circular economy practices in other parts of our business such as in our freshwater production where waste is collected and further reused. In Europe, our hatcheries and the sea based semi-closed post-smolt farm at Molnes (Norway), have systems for effluent treatment in place. Particulate organic matter, rich in carbon and phosphorus can be removed from the discharge, dewatered, dried and recycled as fuel for biogas or used as soil fertilizer. This waste is used by local companies to limit the transport distance. Collecting particulate organic matter from the effluent of land based facilities is important to secure a good environment in our fjords, and also to make contribution to the green economy linking the aquaculture to recycling renewable resources. In 2018, we reused a total of 209 tons of solid sludge and 5985 tons of wet sludge as composting or fuel for biogas production. In Canada and Chile, sludge is disposed of according to national regulations.

### Freshwater use

Similarly to what happens in the wild, farmed-raised salmon spends its initial phase of production growing in freshwater. Although we do not farm in countries with freshwater scarcity we still focus our efforts and resources on freshwater efficiency at our freshwater farming units, feed and processing plants.

We continue to invest to comply with local regulations and where possible improve water use efficiency through technological



improvements. In 2018, freshwater use at Mowi's freshwater production units, feed plant and primary and secondary processing plants around the world summed up to 91 637 897 m<sup>3</sup>, from which 96.5% (88 388 312 m<sup>3</sup>) was used for our smolt production in flow-through systems and recirculating aquaculture systems, 3.2% (2 926 149 m<sup>3</sup>) at our processing plants and 0.4% (323 436 m<sup>3</sup>) at our feed plant in Norway. This means that to produce 1 kg of salmon we used 174 liters of direct freshwater.

**Benthic Impact**

In 2018, we continued to run mandatory national surveys to measure the potential impact of organic loading from our farming operations on the seabed.

Results show that, on average, 92% of our sea sites surveyed in 2018 have a minimal impact on faunal communities and/or sediment chemistry near to the fish pens. When the impact on the seabed is considered unsatisfactory (one site in the Faroes, two in Scotland, two in Chile, three in Canada, one in Ireland, four in Norway), we take corrective action. This may include stopping or reducing production, repositioning the pens and/or increasing the fallowing period, i.e. the time between production cycles, to allow the seabed to recover from organic loading.

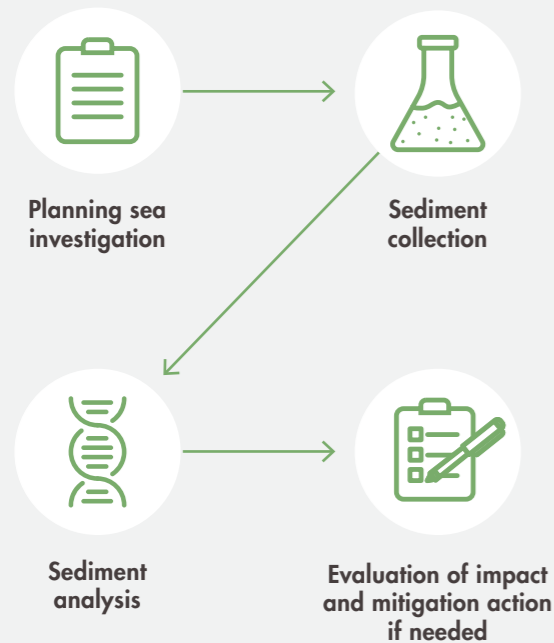
Compared to 2017, the largest difference in benthic impact was an increase in compliance with national quality standards in Scotland. Modelling is used in the first instance to demonstrate that fish farming locations are likely to comply with minimum environmental standards relating to the spatial extent and intensity of any impacts. The environmental monitoring locations that are then prescribed within our environmental permits are also derived from these modelling assessments and it is therefore important that monitoring surveys are well designed in order to provide a meaningful and accurate description of environmental effects. The need to ensure that all of our sites are subject to accurate environmental assessment is vitally important, and remodeling exercises using the newly available and improved model (NewDepomod) are forming an important part of our site improvement plans, and developing sustainable compliance solutions.

**Biodiversity-related projects**

During 2018, we ran a total of 18 projects aimed at understanding and minimising our potential impact on biodiversity.

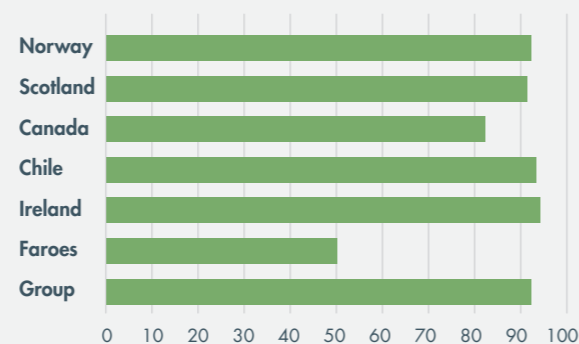
In Norway, we are involved in several projects aiming at mapping the migration and survival of wild Atlantic salmon and sea trout and understanding the potential impact of farming activities on wild fish

**How do we measure impact of organic loading in the seabed?**



**% of sites with minimum impact**

According to national seabed quality standard



In Norway, seabed quality standards are defined by the Fisheries Directorate. In the figure above, data from Norway and the Faroes refer to sites classified as 1 or 2 in MOM-B surveys. (MOM, short for 'Matfiskanlegg Overvåking Modellering', is a Norwegian fish-farm monitoring and modeling scheme). The MOM-B surveys are performed regularly by third-party companies under and in the closest vicinity of the net pens, and are based on indicators such as pH and redox, sensory parameters, and presence and/or absence of macrofauna. The performance of these indicators against predefined thresholds categorises the farming location into different environmental conditions: 1. Low, 2. Medium, 3. High-organic loading and 4. Organic overloading. In Ireland, national compliance is based on positive redox potential. In Scotland, classification is based on SEPA's criteria for seabed quality standards. In Chile, classification is based on Sernapesca's criteria for seabed quality. In Canada, seabed quality standards are defined by the Department of Fisheries and Oceans Aquaculture Activities Regulation. Compliance is based on sediment free sulphides at soft bottom sites and the presence/absence of Beggiatoa sp. and Opportunistic Polychaete Complex (OPC) at hard bottom sites. Weighted average was used to calculate the group's result.



**Preserving biodiversity**  
17 projects



**5 projects on benthic monitoring**  
Norway, Canada and Scotland



**3 projects on water quality**  
Norway and Canada



**9 projects on interaction with wild populations**  
Norway, Canada and Scotland

**Mowi Canada**

Summary of six large-scale review studies, investigating salmon farming and its potential risks for wild salmon, show that salmon farming can co-exist with wild salmon.

**Mowi Norway**

Ongoing studies to elucidate the effects of salmon farming on the migration routes, spawning and recruitment success, and the genetic structure of Atlantic cod populations in coastal ecosystems, suggest no significant impact from salmon farming. In collaboration with NTNU (Norway) we are also building up basic knowledge of how sea lice are spread within wild stocks of salmonids and between wild and farm-raised population.

**Mowi Scotland**

In collaboration with The Crown Estate, Lochaber & Argyll Fisheries Trust and Fisheries Management have initiated a pilot study on wild fish monitoring. A fixed Fyke Net has been deployed at Loch Linnhe to assess its suitability as a reliable and consistent method of sampling wild salmonids to assess sea lice levels. Initial results were promising and discussions on expanding the pilot study during 2019 are underway.

including egg production and recruitment of Atlantic cod. Also in Norway we worked in collaboration with Marin Overvåkning Rogaland and Hordaland to monitor the effect of the aquaculture industry on the county's water quality. In 2018, we also compared different dispersion models of organic matter from aquaculture sites in Norway to optimise decisions of sampling locations for benthic monitoring. In collaboration with the University of Geneva (Switzerland) and Aarhus University (Denmark) we validated the use of DNA metabarcoding as a tool to assess benthic impact in our ASC certified sites in Norway. We are exploring the same possibility in Canada and Scotland. This new tool allows a faster, more reliable and more environmentally friendly assessment of benthic impact.

With the development of Environmental Monitoring Plans (EMPs) as a key part of the aquaculture planning system in Scotland, the monitoring of wild fish in relation to fish farms has taken on added importance. Mowi Scotland is collaborating on a project with a range of stakeholders including The Crown Estate, Lochaber & Argyll Fisheries Trust and Fisheries Management Scotland with a view to consider the possible improvements in monitoring methods. In 2018, Mowi Scotland remained actively involved in supporting two long term multi-partner projects aimed at restoring self-sustaining wild Atlantic salmon populations to the upper River Garry and River Lochy catchments. Also in Scotland, in collaboration with academic and wild fish partners, we initiated a project aimed at establishing a genetic baseline for local wild salmon and monitoring of genetic introgression between farm-raised and wild salmon.

In Canada, we are running projects to evaluate the transfer of sea lice between wild salmon and farm-raised salmon populations, and to monitor wild fish activity in the vicinity of aquaculture sites. Mowi Canada West has completed six large review studies on the interaction between farm-raised and wild salmon with the conclusion that salmon farming can coexist with wild salmon.

**PRIORITIES GOING FORWARD**

We will continue to focus on projects aimed at protecting our natural capital. Areas such as the reduction of benthic impact through improved monitoring tools, better understanding of farmed-wild salmon interaction, and waste (including plastic) management and recycling will be a priority. In 2019, we aim to extend our reporting on waste to include total waste generated by the group and disposal methods.

## Sustainable Feed

### THE CHALLENGE

Feed is a key component in ensuring the best possible fish health and performance. In any life cycle assessment\* of salmon farming, feed also makes the largest contribution to its environmental footprint. To remain at the forefront of environmental responsibility, we prioritise the sourcing of sustainable feed ingredients, and strive to utilise feed as efficiently as possible at our fish farms.

\* Life Cycle Assessment (LCA) determines the environmental impacts of products, processes or services, through production, usage, and disposal.

### OUR EFFORTS

Sourcing sustainable feed ingredients is crucial if we are to remain a front-runner with regard to environmental responsibility. Our policy for sustainable feed ingredients applies to all feed purchased externally, as well as the feed we produce ourselves.

Our feed plant in Bjugn, Norway, is Global GAP certified, and produced 348 402 tonnes of feed in 2018. Mowi Feed supplied salmon feed to all our seawater farms in Norway, except our northernmost farms in 2018.

All ingredients, marine as well as non-marine in origin, which are used in the production of our feeds, are fully traceable (for marine raw materials, please see the illustration on the following pages). None of our raw materials originate from illegal, unregulated and unreported (IUU) catches, or from fish species classified as endangered on the International Union for the Conservation of Nature (IUCN) red list. We aim at having all our marine raw materials sourced from suppliers who adhere to responsible fishery management practices. This entails sourcing fishmeal and oil from fisheries that are certified as sustainable according to the MSC standard and/or the IFFO RS scheme (IFFO: The Marine Ingredients organisation; RS: Responsible Supply) and/or as defined by ASC. In 2018, 83% of marine raw materials used by Mowi Feed were sourced from fisheries complying with our policy. We are encouraging suppliers who do not yet comply with our sourcing

#### Feed factory at Valsneset



policy (Mauritania and Turkey) to acquire the relevant sustainability credentials.

Through research collaboration with scientists from institutes and universities, as well as with industrial partners, we identify and source alternative ingredients - including responsibly produced plant proteins and oils - that provide the necessary nutrients for state-of-the-art salmon feed. As a result, we have significantly reduced our use of fishmeal in aquaculture feeds, while maintaining growth performance, product quality and fish health.

We support global efforts to increase the purchase of sustainable vegetable raw materials. Our external feed supply contracts stipulate that Mowi only accepts raw soy materials that are compliant to soy certifications, such as ProTerra and equivalent schemes. The soy used in our own feed production is non-GM (not genetically modified), and is 100% sourced from ProTerra certification or RTRS members.

### RESULTS

#### 1.14 kg of feed used to produce 1 kg salmon

The feed conversion rate (FCR) is a ratio that describes the amount of feed used to produce a certain amount of salmon. It is often defined as kg feed consumed/kg biomass gained. The lower the FCR, the more efficient our salmon are at converting the energy in the feed. Biological feed conversion ratio expresses the amount of feed used to produce 1 kg of salmon, including the biomass that does not survive to harvest. On a global level in 2018, we used 1.14 (1.13) kg of fish feed to grow 1 kg of salmon.

At present, our feed plant in Bjugn produces most of the feed for our farming operations in Norway. During spring 2019, a new Mowi Feed facility will be opened at Kyleakin, Isle of Skye in Scotland. The feed plant will start (stepwise) to deliver feed to Mowi Scotland, Mowi Faroes, Mowi Ireland and our European freshwater production centers. The new feed plant will adopt Mowi's high standards for sustainable production, and is a great asset to reach our goals and ambitions.

#### Reduced dependency on wild fish for salmon farming

In 2018, particular attention was paid to expanding the raw materials basket for fish feed production. This involved lowering our reliance on wild-caught fish. It is well recognised that the industry has moved on from the initial dependence on fishmeal and fish oil through the inclusion of other types of protein and lipid raw materials. A better understanding of Atlantic salmon nutrient requirements through the various stages of the fish's life cycle has allowed for the inclusion of a range of new raw materials in our salmon feed. We support and closely follow the ongoing development of new raw materials that are currently being tested. This is the case for oils rich in Omega-3, as well as novel protein sources from sustainable production. We continue our efforts to increase the use of fish trimmings to produce fishmeal and fish oil, in both our integrated feed production and externally sourced feed.

In 2018, Mowi Farming used 0.75 kg of wild fish to produce 1 kg of farm-raised salmon. This is at the similar level as in 2017 (0.73 kg). We source a high proportion of marine ingredients from the northern hemisphere in 2018, much in line with the situation in 2017.

### PRIORITIES GOING FORWARD

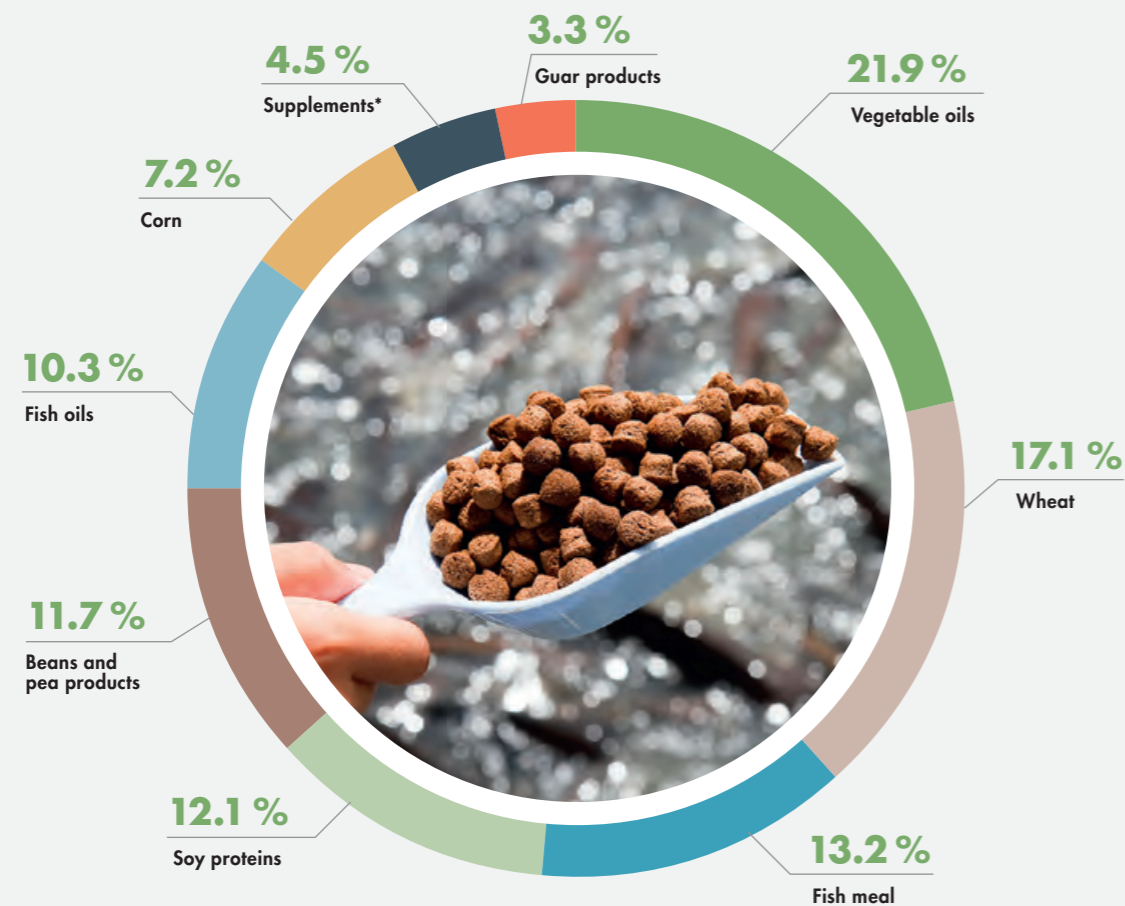
The composition of the feed is key to optimal fish health and performance. We strive to balance the need to produce healthy meals for human consumption with our goal to be an environmentally responsible producer. We do this by sourcing sustainable feed ingredients and utilising the feed resources optimally at our farms. The biology of salmon as an effective protein converter is one of the salmon industry's key success factors. Since we own our own strain of salmon, "the Mowi strain", we believe that it is possible to work with our breeding and genetics group to create a fish capable of even better feed utilisation and growth performance. Our focus moving forward is to optimise feeding procedures and practices to make sure we make the best possible use of the resources available.

In terms of raw material development, we strive toward independence from specific raw material sources be they of marine origin or those derived from commodities including wheat, soya, maize, peas or beans etc. This will secure our cost competitiveness in the face of fluctuations in commodity markets and give us the power to catalyze change in the supply chain through our ability to switch between sustainable, responsible, solutions when circumstances dictate it. In seeking to expand our spectrum of available raw materials, we are evaluating some promising candidates including those derived as by- or co-products from other feed, food and even non-food industries. Within this scope, we include products derived from insects, alcohol fermentation, CO<sub>2</sub> capture and forestry.

In 2019, we expect the ASC Feed standard to be released which we will implement as part of our global ASC implementation plan.

## Salmon feed What's in it?

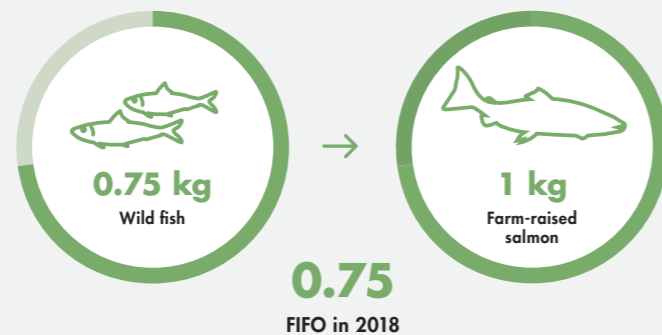
We tailor our feeds to match the changing requirements of the fish through their life-cycle



\* Where supplements includes vitamins and minerals

## Does our salmon production deplete scarce marine resources?

**Fish in- fish out (FIFO)** express the number of kg of wild fish (excluding trimmings) it takes to produce 1 kg of salmon. The species used in fish meal and fish oil production are from reduction fisheries and trimmings not used for human consumption. In 2018 0.75 kg of low consumer preference wild fish (like anchovy and sardina) produced 1 kg of Atlantic salmon.



## Where do our marine raw materials come from and are they from responsible and sustainable fisheries?

Fish meal	Species	Country of origin	Volume (t)	% of meal or oil used
Fishmeal, NE Atlantic	Blue whiting, capelin, Atlantic herring, North Sea herring, Norwegian spring spawning herring, sprat, pout, sandeel and trimmings from mackerel, capelin and herring	Faroe Islands, Iceland, Norway, Denmark	43 397	93.3%
Fishmeal, USA, menhaden	Gulf menhaden	USA	3 111	6.7%
<b>Tot. fishmeal</b>			<b>46 508</b>	<b>100%</b>

Fish oil	Species	Country of origin	Volume (tonnes)	% of total volume
Fish oil, Peru / Chile	Peruvian anchovy	Peru	2 971	8.2%
Fish oil, Turkey	European anchovy	Turkey	6 255	17.3%
Fish oil, Eastern Atlantic	Round sardinella, flat sardinella	Mauritania	8 147	22.6%
Fish oil, USA, menhaden	Gulf menhaden	USA	10 422	28.9%
Fish oil, NE Atlantic	Blue whiting, capelin, North Sea herring, Baltic herring, Norway pout, sprats and trimmings from mackerel, cod and herring	Iceland, Denmark	7 324	20.3%
Fish oil, refining by-product	Peruvian anchovy	Peru	1 004	2.8%
<b>Total fish oil (tonnes)</b>			<b>36 123</b>	<b>100%</b>

## Our policy on sourcing sustainable raw feed materials



**Traceability**  
All ingredients used in salmon feed shall have a traceability system in place.



**Marine raw materials**  
Our marine raw materials processed from whole fish will be sourced from suppliers who adhere to responsible fishery management practices and that are certified as sustainable (e.g. IFFO-RS or similar). Marine raw materials shall not origin from IUU catch or IUCN red listed fish species classified as endangered.



**Vegetable raw materials**  
We support efforts to increase purchases of sustainably sourced vegetable raw materials. The soy used by our own fish feed production is 100% sourced from Brazilian producers with ProTerra certification.

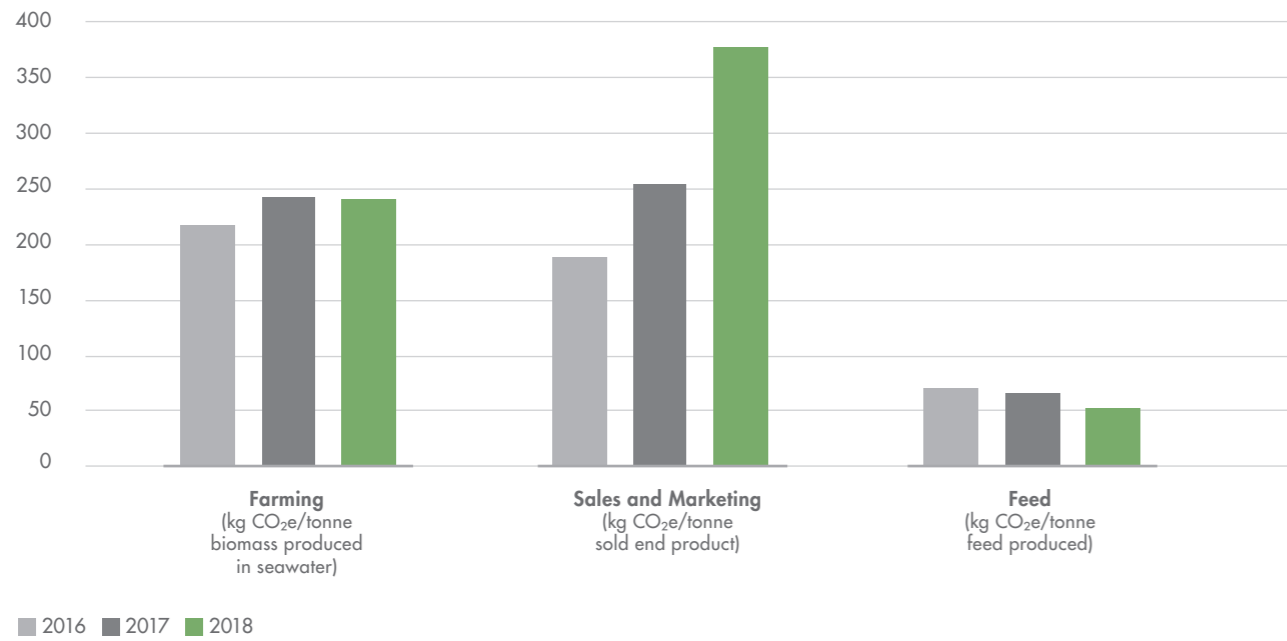


**Modern slavery**  
Mowi has a zero-tolerance approach to modern slavery and human trafficking. Feed raw material suppliers shall have in place due diligence controls to prevent modern slavery from occurring in their own operations and supply chains.

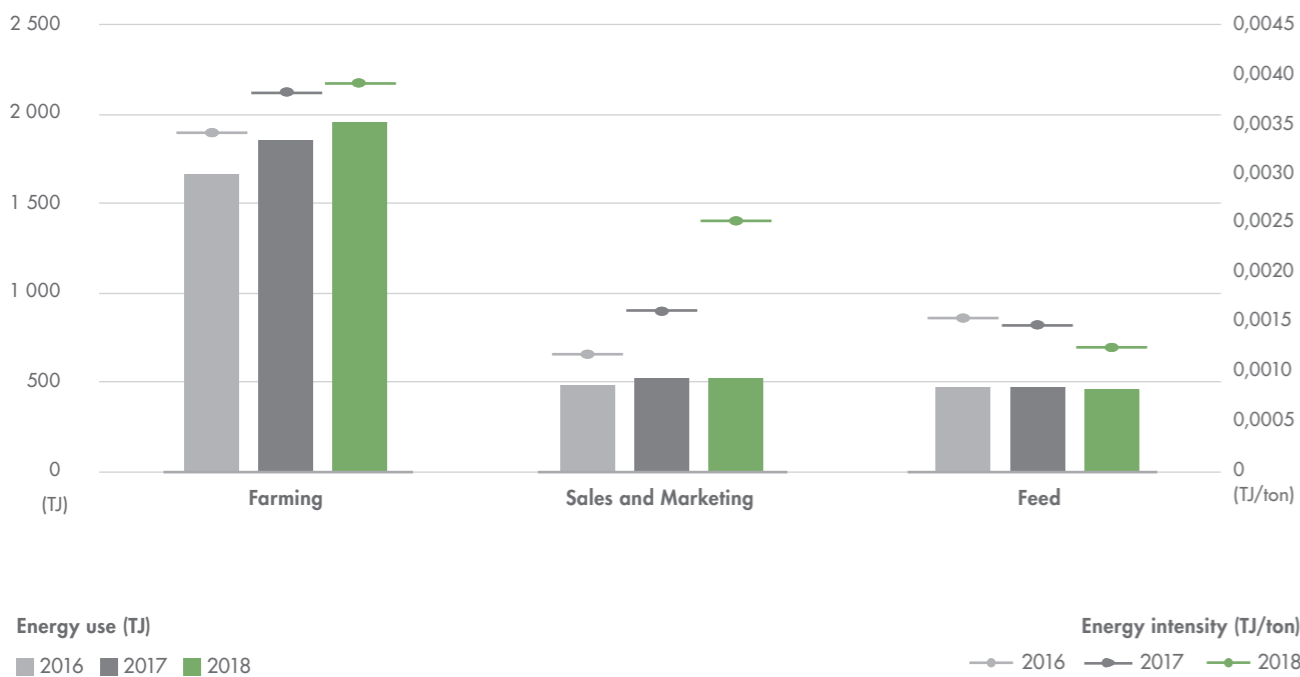


**Certification**  
As a minimum, feed suppliers should be GLOBAL GAP certified by an accredited certification body (CB).

### Intensity of GHG Emissions per business area

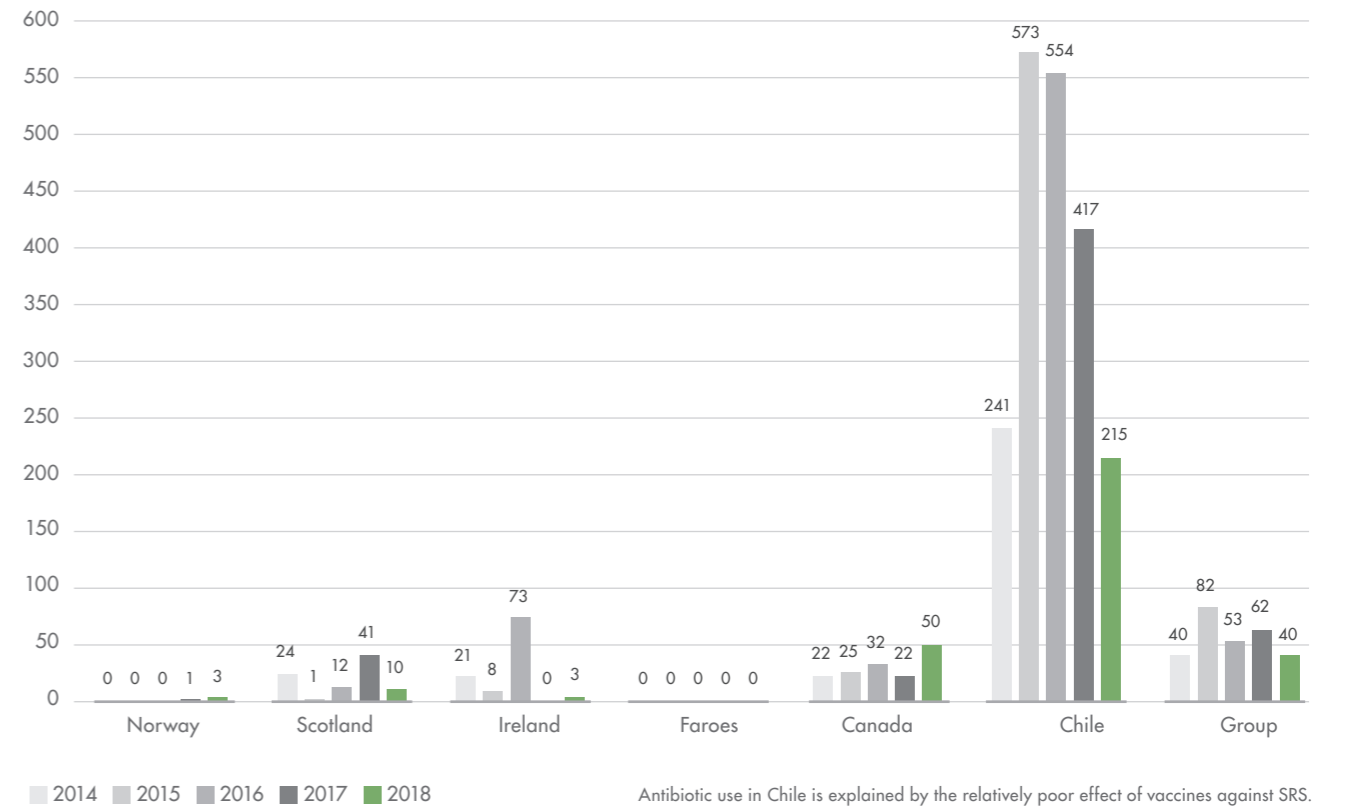


### Energy use per business area



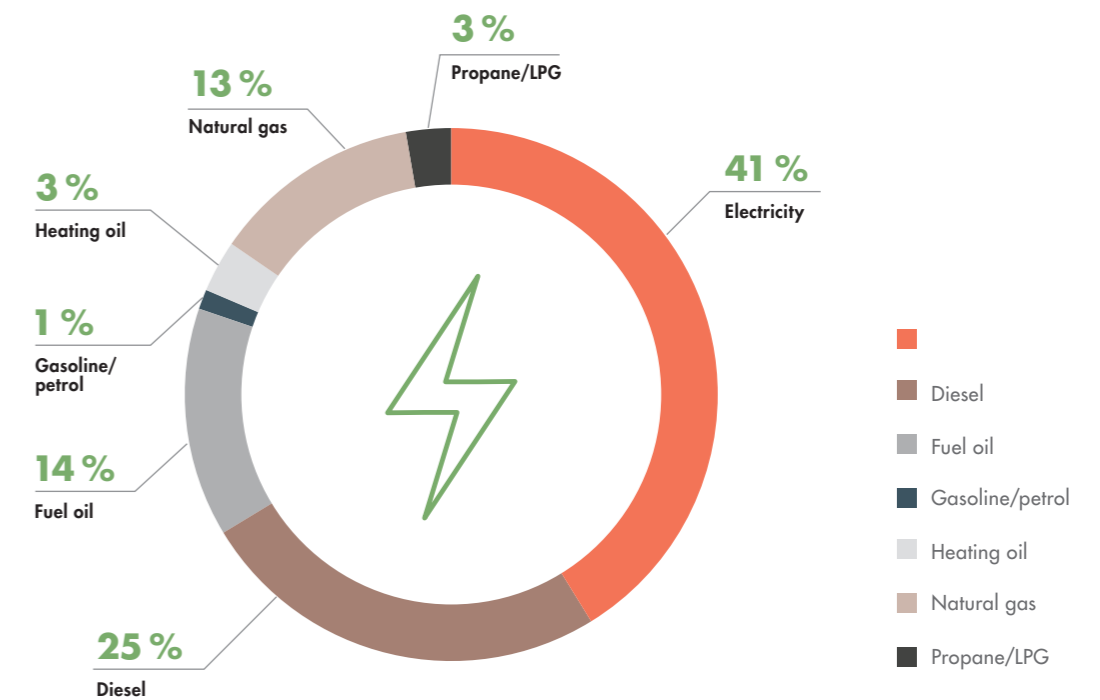
### Antibiotic use

Active substance (gram) per tonne biomass produced

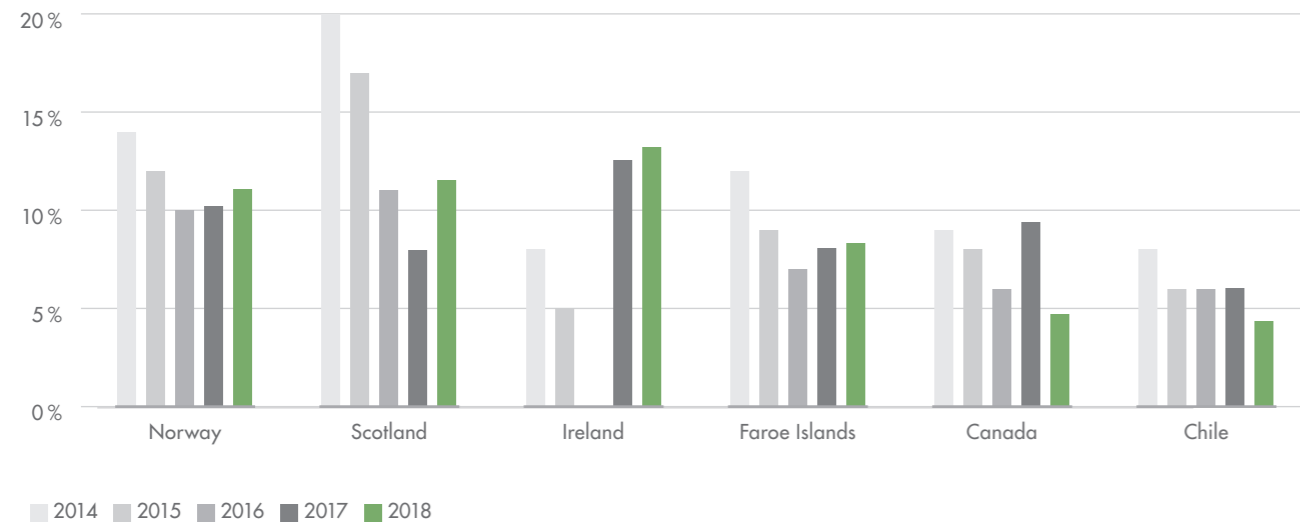


Antibiotic use in Chile is explained by the relatively poor effect of vaccines against SRS.

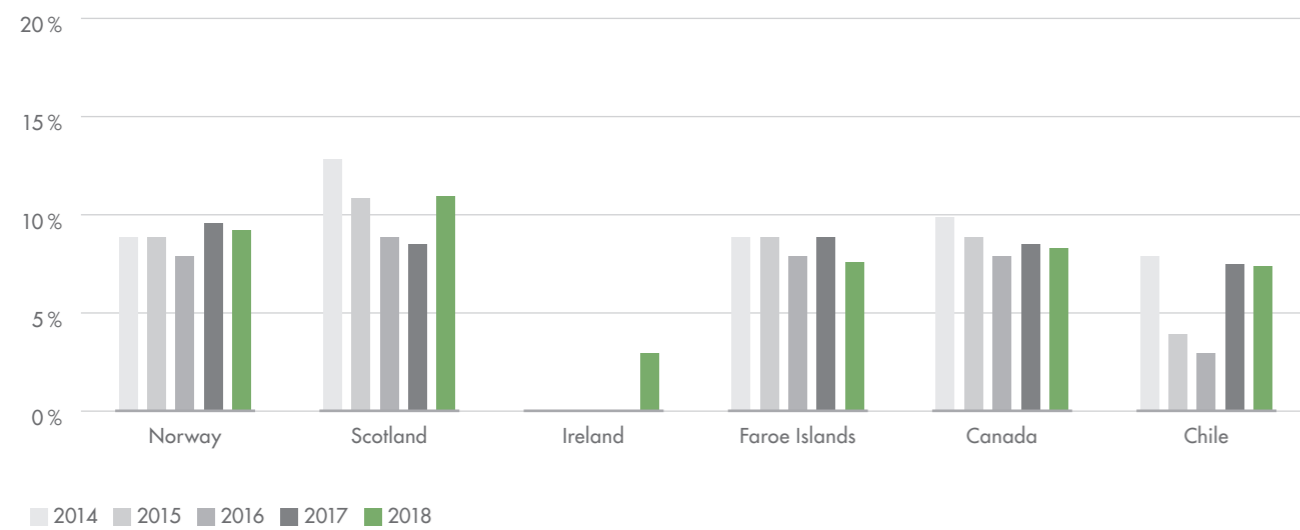
### Total energy use 2018



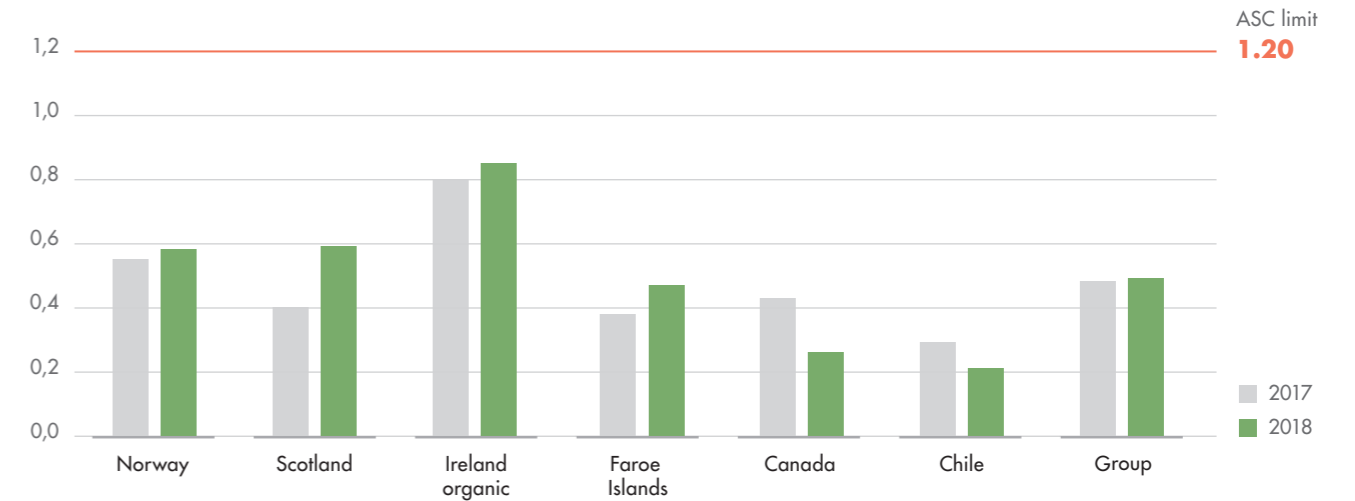
**Fish meal inclusion in % per tonne feed used**  
(Weighted average ex trimmings)



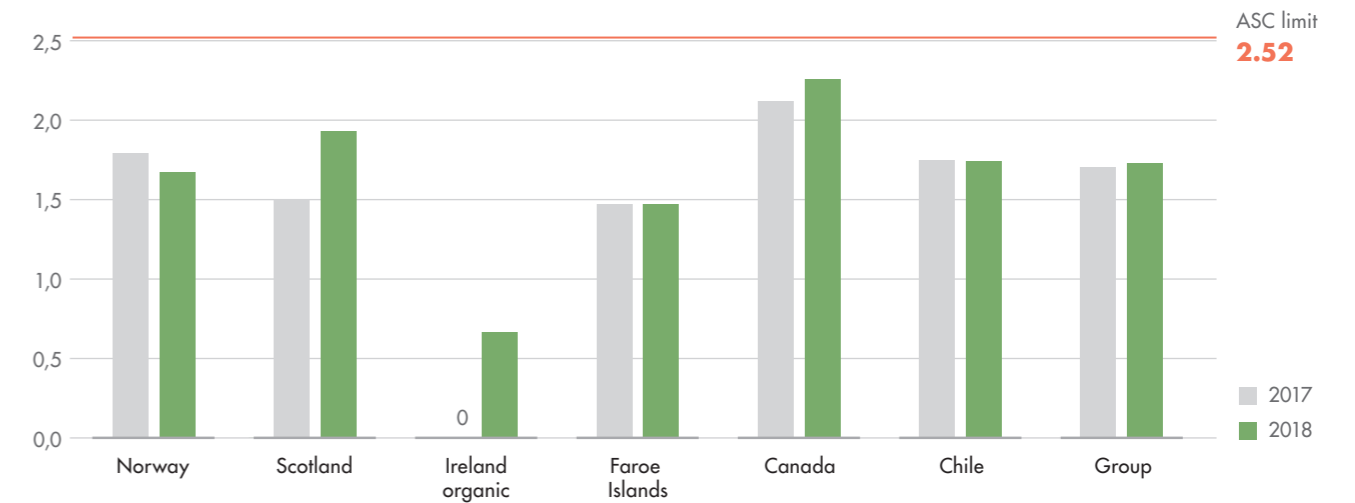
**Fish oil inclusion in % per tonne feed used**  
(Weighted average ex trimmings)



**Forage fish dependency ratio - meal**  
(Ex trimmings)



**Forage fish dependency ratio - oil**  
(Ex trimmings)



# Reduce, Reuse, Recycle: Managing plastic

The increasing prevalence of microplastics in our environment has frequented news stories and headlines throughout 2018.

## What are microplastics?

Microplastics, which by definition are under 5 mm in their longest dimension, are turning up in a wide spectrum of products across the entire food chain. Researchers have detected them in foodstuffs such as bottled water, beer, chicken, canned tuna, shellfish, salt and honey - and the list is growing. While much of this micro plastic contamination enters the food chain on land, the FAO estimates that over 10 million tonnes of plastic waste finds its way into our oceans annually. Clearly, collaborative and pragmatic action at the global level is needed to mitigate this trend. It is our collective responsibility to judiciously manage the environmental fate of the plastics we use - and to do this, we need to develop a future-safe road map to tackle the problem head-on.

## No plastics found in our salmon fillets

The three R's are the shared motto of progressive companies like Mowi: Reduce, Reuse and Recycle. At Mowi, we have developed a company-wide policy on plastic waste management. Amongst Mowi's important material value drivers is the goal to innovate in order to reduce our environmental impact and, specifically, to overcome the plastic waste challenge. Sector-wide, aquaculture is well-placed to provide consumers with tasty, wholesome seafood that is also free from microplastics. At Mowi, our monitoring results indicate no plastic-related contaminants in our salmon. Indeed, going forward, aquaculture will provide an advantage to consumers due to the traceability that is inherent in its supply chain and production controls.

## A collective effort to reduce

Over the last several years, as plastics have emerged as a pressing environmental concern, Mowi is increasing its focus on mitigating the potential ecological impacts of packaging materials. For example, since 2015, at our processing plant in Bruges, Belgium, we have reduced the weight of our MAP trays by 20%, which in turn has reduced our plastics consumption in this area by 96 tonnes per year. 'Modified Atmosphere Packaging' trays are designed to keep food fresh. Similarly, we have switched from using polystyrene boxes to Forest Stewardship Council approved cardboard boxes, which has further reduced our plastics use by seven tonnes per year. This is an example of the innovation that we seek to encourage company-wide;

this change was implemented as a result of our supply-chain observation that, although the polystyrene containers were 100% recyclable, some of our food-service customers found them inconvenient to recycle. Following on from the success of these measures, more Mowi packaging modifications are in the pipeline for 2019. Our policy also encourages collaboration with all stakeholders in the value chain and we have been actively forging partnerships with research bodies and universities to meet our policy objectives.

Where the use of plastics is unavoidable, we encourage the use of recycled plastics and we try to avoid single-use plastics in our operations altogether. Mowi's policy also encourages employee and community initiatives to remove plastic waste and litter from the environment. On the 4th of May 2018, Mowi arranged its first ever Global Cleanup Day. Hundreds of Mowi colleagues, together with their families, joined resources and mobilised a communal effort to clean local beaches of plastics and other marine litter. This initiative, inspired by our CEO, Alf-Helge Aarskog, saw Mowi colleagues across three continents come together as one task force in a mission to help tackle the tide of plastic and marine debris affecting each region.

Alf-Helge noted that Mowi depends on a healthy ocean and that: "We will do our part to reduce the use of plastic and make sure that our sites are clean. Going forward, we will focus even more on avoiding

*"Plastics has become increasingly important to address for companies committed to ocean stewardship. Mowi is providing an example through their new corporate strategy, and by leading the development of a SeaBOS strategy for ocean plastics. My hope is that this work will inspire many companies, in diverse sectors, to take appropriate actions."*

Henrik Österblom,  
Professor in Environmental Science, Stockholm University.

unnecessary use of plastics in our operations, and make sure plastic waste is handled in a responsible manner." He thanked everyone that participated and said: "It is very encouraging to see that so many people contributed in this common effort. Even though the amounts of plastic we collected during the Global Cleanup Day are huge, this is off course literally nothing compared to the enormous amounts of plastic released to the environment every day. But it is nonetheless important that we do what we can do." Initiatives like these not only help to raise awareness about the harmful effects that plastic pollution has on our environment but also builds a solid platform on which proactive coastal environmental stewardship can be nurtured and encouraged.

## Upcycling nets

Embracing the concept of the circular economy, Mowi's ambition is that 100% of recyclable net materials should be upcycled when the time comes to replace them. As new and innovative recycling technologies become available, it will become possible to recycle more ex-farm net materials; this is an important step in diminishing the environmental impacts caused by primary production that is reliant on virgin raw materials. This will also decrease the quantity of waste produced that ends up being incinerated or going to landfill. In the last two years we have recycled 384 used nets in Europe. For 2018 this means a total of 302,987 kg of fish farming nets were

upcycled. This latter quantity resulted in a decrease in non-renewable resources equivalent to 516,778 kg of oil and a decrease in carbon footprint equivalent to 1,094,353 kg of CO<sub>2</sub>. Remarkably, this reduction of GHG emissions in 2018 is the same as that which would be generated by 10,039 passenger plane trips from Oslo to London.

Mowi's used nets have been transformed into useful new products. The recycling process re-converts the netting into new polyamide filament, which in turn can be used in a variety of applications, such as in the manufacture of swimwear or carpet yarn. Aquafil Group's manufacturing unit, which produces regenerated ECONYL® nylon filaments, notes that one tonne of polyamide fishing nets provides enough recycled nylon yarn for 26,000 pairs of socks or approximately 1000m<sup>2</sup> of carpeting. This recycling technology is also used to create swimwear and underwear; not only does this initiative create highly desirable product lines, produced from waste nets, it also raises funds for the removal of marine litter from the ocean.

In addition to our in-house Plastic Waste Management policy, we are also committed to the ongoing role out of the ASC (Aquaculture Stewardship Council) certification programme across our farm sites, globally. ASC are currently working on the inclusion of plastic-specific indicators for their next standards update and we look forward to coming on board with this update.



Mowi's beach cleanup day in Norway



# The climate friendly protein

The year 2018 may retrospectively be seen as the year that climate change and environmentalism went from being something of a niche interest to become the centre stage focus of the mainstream. Aquaculture, and specifically salmon farming, naturally has a good story to tell but won't rest on its laurels.

Last October, when the United Nation's global warming report was published, its clarion call to action was so powerful that the message topped headlines around the world; the IPCC report concisely explained why greenhouse gas emissions must be halved by 2030 if we are to avert global environmental catastrophe and keep below the 1.5°C threshold above pre-industrial levels. Undoubtedly, 2018 ended on a note of heightened environmental awareness around the planet, with a collective understanding that the bar for our environmental goals and targets must be raised.

## Setting ambitious targets

Mowi's ambition is to continually strive towards alignment with these goals. In order to remain a viable business in the future, it is essential that we act responsibly, transparently and proactively. We focus on measuring and reducing our energy consumption and each year we work with an independent third party to report and review energy use and greenhouse gas emissions. This data is made public along with our commitment to the Carbon Disclosure Project ([www.cdp.net](http://www.cdp.net)), an organisation that drives disclosure, insight and action towards a sustainable economy by benchmarking over 6 000 businesses and nearly one-fifth of global greenhouse gas emissions. Recognition of climate change is a material element for Mowi and we have instigated a number of initiatives across our farming business, feed business and in sales and marketing to mitigate and reduce our impact on the planet.

Lord Stern of the London School of Economics said: "The low carbon economy is the growth story of the 21st Century ... the story has grown stronger and stronger and is really compelling now." Aquaculture does have natural advantages in terms of energy efficiency and we believe it is an important part of the solution towards a carbon friendly future. Compared with terrestrial protein

equivalences, farm-raised fish do not have to regulate body temperature nor vie with significant gravity. With a lower FCR, higher protein and energy retention, and higher edible yields, sea pen aquaculture results in farm-raised salmon having a carbon footprint of 2.9kg/CO<sub>2e</sub> per Kg, which is less than one-tenth that of beef production (30 Kg) and approximately half that of pork (5.9 Kg). Mowi's opportunity is to capitalise on these positive aspects of our business whilst seeking to find paths of energy reduction in our more energy intensive activities.

"Employee awareness is at the core of our strategy on reporting, reduction targets and energy saving initiatives," says Catarina Martins, Mowi's Group Manager of Environment and Sustainability. In terms of GHG emissions and energy intensity, the ambition for 2018 has been a 10 percent reduction in our processing plants compared to 2016. We reduced our GHG emissions at in 43% of our plants while 24% of our plants achieved the energy intensity reduction target.

## Focusing efforts

Since a large proportion of Mowi's relative GHG emissions are generated by our processing plants, this has been an area of increased scrutiny. From replacing traditional halide and fluorescent lighting

*"Employee awareness is at the core of our strategy on reporting, reduction targets and energy saving initiatives."*

Catarina Martins  
Group Manager, Environment and Sustainability



*Aquaculture does have natural advantages in terms of energy efficiency and we believe it is an important part of the solution towards a carbon friendly future.*

with LED units, to implementing thermal solutions - such as air curtains to optimising ammonia compressors and condenser efficiency - the potential for gradual yet significant improvement is considerable.

Across the group, our increased focus and management awareness continues to lead to incremental gains. Our targets are comprehensive and growing, for examples: logistics and planning for lower transport inputs and the replacement and upgrading of old equipment for more efficient modern counterparts; the use of sensors for lighting solutions; heat reuse through recovery and heat exchangers; solar boiler systems; reducing standby power consumption; installation of rapid doors; the use of phase compensators; and simply turning off equipment during lunch and breaks.

## Third-party monitoring of results

Our ongoing commitment to the Aquaculture Stewardship Council (ASC) certification program requires energy consumption and GHG emissions reporting per certified site. This will only increase as the ASC standard is rolled out across our farms globally.

As we appear to be entering the Anthropocene era, a time when humanity's collective activity has started to directly affect our planet's environment and stability, Mowi will be at the forefront, pioneering seafood production whilst contributing to the realisation of the UN's Sustainable Development Goals (SDGs), playing an ever more important role in climate change mitigation.

# Feeding a healthy lifestyle

Our goal is to deliver top quality salmon and inspire a healthy lifestyle.

## Branding and product innovation

In farming and processing the market is becoming more and more differentiated. There are a lot of things happening within the category. Mowi has a variety of brands all of the world and we are continuously working towards creating products adapted to each market.

## Health benefits of salmon

Mowi salmon contains the Omega-3 fatty acids which help the development and function of your brain, and it also helps prevent cardio-vascular diseases. The long chain of fatty acids in salmon are essential for our health and to ensure cells function well. The health benefits of eating seafood are reemphasized by health authorities around the world.

## Enhanced food safety monitoring

The results of our rigorous testing program to screen our products for environmental contaminants, pathogen bacteria and medicine residues in 2018 show that our salmon is both safe and healthy.



## PRODUCT

Tasty and healthy seafood providing customer value





## PRODUCT

Material value drivers	Ambitions
Branding and product innovation	Value added sales growth
Ensure food safety and quality	No recalls related to food safety. Superior quality > 92%.
Product certification and verification	All farms Global G.A.P certified or equal, and processing plants recognised by Global Food Safety Initiative (GFSI)
Healthy seafood	Omega-3 content >1g per 100 g product

### Branding and product innovation

#### THE OPPORTUNITY

Food consumption habits are changing and 36% of consumers want to reduce their meat consumption, meanwhile 32% of consumers want to increase their fish consumption<sup>1</sup>. This shows that there is a huge potential to inspire more people to eat fish more often, and to make salmon their preferred option.

There is an increasing demand for premium quality, which opens up new high-value opportunities in many markets. According to the Marine Stewardship Council, 62% of fish and seafood consumers choose high-quality products more frequently, 60% are willing to pay more for high quality products, and 72% think that only sustainably farm-raised fish should be consumed<sup>2</sup>.

We know from different surveys and studies that the proven health benefits of salmon are appreciated by our customers and that they are increasingly looking for convenient solutions to enjoy these benefits in their daily diets.

Today we are proud to say that we have a thriving business based on powerful competitive advantages which fully live up to all these consumers demands. In fact, we are in the unique position to claim that we care for our salmon from egg to the consumer's plate. And

as consumers are interested in knowing the products they eat, we let them take part in the journey of our salmon. Because in the end, caring means full transparency and Mowi embodies this with complete traceability of our products.

#### OUR EFFORTS

Fresh whole salmon is our main product and represented 37% of total sales revenue in 2018. In response to changing preferences in the market we are increasing our focus on more elaborate salmon products. Our value adding facilities in Europe are making a particular contribution to this shift and the continued move toward more convenient consumer products. Our product categories stretch from fresh whole salmon to fillets; smoked, coated and specialty; and food-to-go. To extend the products' shelf-life, we also make use of Modified Atmosphere Packaging (MAP).

Through our wide selection of products and convenient solutions, we are breaking down barriers when it comes to fish consumption and fish preparation at home. Our aim is that it should not be difficult to buy, prepare or eat salmon, and that consumers around the world should see this as just as convenient as meat and poultry products. Every day, we are working to bring new, innovative products to the



*"We want to open up and show our entire value chain. In our experience this is important to the consumers in all markets. People want to know more, and we want to give them access to the information so that they easily can see what we do and how we operate. We have developed different tools in order to show how we care for our salmon, which can easily be accessed through a QR code."*

Andreas Johler,  
Branding Director.



Scan the QR code with your Smart phone to view our 360 film about the Mowi integrated value chain. View in a browser which supports 360 viewing such as Chrome. IE does not support 360.

<sup>1</sup> Source: 2018 Seafood Report Kantar TNS / Kantar Worldpanel

market, based on consumers' needs and in close collaboration with our experienced retail partners.

#### Europe

Our largest global market for salmon is still Europe. Despite great variation in the size, maturity and development of the different national markets, there are still substantial opportunities for growth, both in well-established and more emerging European markets. Retail customers drive seafood growth in many European regions, and we are well positioned to take part in this expansion. Foodservice continues to be an important and integral part of our offer to the market, and the outlook in this channel remains positive.

#### Our efforts in European retail and Foodservice

We have processing plants strategically located around Europe, which enables us to supply fresh, nutritious and delicious products to most corners of the continent in a matter of hours. Being present in the markets will continue being a priority for the company.

In December we started production and sales in Spain. The ambition is to take a leading position in the Iberian retail and food service markets. The partnership enables Mowi to produce pre-packed and value-added fish and seafood products - both fresh and frozen - in Spain for sales to retail and foodservice customers.



*"We are very satisfied that we are now able to deliver value-added products to Spain. This is a big market for us and our ambitions are high. It is therefore very promising that we have been able to expand and get closer to the market."*

Ola Brattvoll,  
COO Sales & Marketing

In 2018 Mowi was the first producer to introduce three new SKUs in one of the largest retailers in Spain. These were organic salmon from Ireland in MAP packaging with daily deliveries to the distribution centers in Spain. So far the volumes sold are modest, but the potential is very high, and we expect sales to grow by 150 % in 2019.

Thanks to the new coating technology at Mowi Sterk we have been able to introduce a number of new products the past year. Our Fish and Chips concepts hit the market in Norway and Germany, and "home style coated salmon bites" were launched in the Dutch market. Other new coated products launched this year were a rage for one of the leading Supermarkets in the Netherlands, and a new coated salmon product for one of the largest supermarket chains in France. In addition a raw product, salmon steak, was launched for the barbecue season in the Netherlands. A topped variant of this same salmon was sent in for the Seafood Expo Global Awards 2018 and made it to the nominations.

In 2018, our smoked salmon was taste tested by a non-profit consumer organisation, and made top of the list: selected as the best and very good products. 22 smoked salmon products were tested for taste and the top five on the list were all produced by Mowi Oostende.

This summer we had a major fire at or Kritsen processing plant in France. Luckily there were no employees or people hurt in the incident. There was huge material damage to the plant, and it took a few months before the Kritsen Pure Origine products were back on retail shelves in France in mid-October.

#### The United States of America

There is still considerable room for growth in the US market, and the fresh fish segment continues to expand. Through our logistical network and well-situated facilities, we are able to reach the west coast, east coast and central states within days, enabling us to provide fresh, healthy and delicious salmon and fish products to the entire US market. We have expanded rapidly in the US, and are confident in the development of this important market.

#### Our efforts in the US

The salmon category growth in the US retail continued in 2018. Salmon is the second biggest seafood product in the US, and is the highest in value in the retail fish category. In the same way as in Europe, we invest in product development and innovation to bring tasty, fresh products to US consumers in close collaboration with our customers. In the US, meat consumption is five times higher than seafood consumption, and only a few consume enough seafood according to American dietary recommendations. A significant amount of the seafood consumption in the US is prepared in restaurants or at take-away chains. We see this as a great opportunity to implement new occasions for eating salmon in the US market and at the same time increase salmon consumption. Salmonids is the preferred specie in the US, and we see a growing appreciation year on year.<sup>3</sup>

In the US we launched a skin pack program with a new nationwide retail partner, developed through the combined efforts of our whole integrated value chain. This has added to US capabilities thus giving us a new revenue stream. Core items of the new line include ASC certified Norwegian Atlantic salmon and MSC certified wild-caught Alaskan sockeye salmon. A newly designed smoked salmon line under the Mowi label brings elegance to the smoked salmon category and gains distribution in key markets.

Ducktrap, with its 40 year-long history is our strongest US brand. Traditional smoking techniques, using a blend of local woods combined with the natural flavour of custom recipes, give Ducktrap smoked seafood a signature mild flavor. In 2018 Ducktrap opened a new 50,000 square foot facility, which will exclusively produce cold smoked salmon, and increases Ducktrap's capacity by 75%. This year they also expanded their reach by offering a brand new SKU (stock keeping unit) in the world's largest retail store. In addition, they

<sup>2</sup> Marine Stewardship Council (2016): 16,876 consumers who purchased fish or seafood in the last two months Source : Kantar TNS FOOD 360° 2018.

<sup>3</sup> Norges Sjømatråd



also began the distribution of fresh smoked sides utilising Northern Harvest raw material with a large partner in the Northeast.

#### ASIA

Asia, a vast market opportunity, has been a priority for many years. There is great diversity in the Asian market, which calls for individual and customised approaches in each country. We will continue to tailor our products and sales approach for each Asian market, to ensure our products appeal to local preferences and also help consumers understand the many benefits of eating salmon.

#### Our efforts in Asia

We are continuously developing our Supreme Salmon™ concept in Taiwan. The concept was first launched in retail in 2016, and the brand has had a steady growth since. In 2018 we changed the packaging from box to plastic bags, in response to the consumers need for easy storage and visibility of the salmon. Supreme Salmon™ launched new products in April 2018, ready-to-cook and salmon fillet multi pack in a supermarket company to provide more volume for hypermarket shoppers. We see a great potential in expanding this concept in Asia. In 2018 Supreme Salmon™ was introduced in China, and we look forward to going even further with this concept.

We are continuing a strong focus on our premium brand in Japan, Mowi™. In 2018 we focused on sales promotion and building an even

stronger relationship with our customers. This resulted in positive feedback from our customers. Going forward in 2019 we will continue the positive trend of volume growth and awareness. Mowi™ will continue to be a key product for our business.

#### PRIORITIES GOING FORWARD

In 2018 we were excited to announce our company name change to Mowi, and also the 2019 launch of a new global brand with the same name. We believe this brand will give us competitive advantages and generate people's loyalty. Most of all we hope that our global brand will drive category growth and give the whole category a strong reputation. We will invest €35m over the next two years to help build consumer awareness of the brand and salmon category.

Our aim is to continue to grow the salmon and seafood category through increased market and consumer insight, innovation and product development. We will introduce a premium range to satisfy all consumer needs. Our focus will be to remain at today's level of b2b and spot sales. Our product and development strategy will build strong brands, create our own brands and become more consumer oriented. With the MOWI brand launch customers will see our company leading the category. Our global brand and our communication of the brand will be a strong priority for Mowi moving forward.

## Safe Seafood

### THE CHALLENGE

Consuming farm-raised salmon is both safe and healthy. This assertion is supported by food safety authorities across the world, and proved through our comprehensive monitoring program. We know some consumers may have concerns about farm-raised salmon containing environmental contaminants, pathogen bacteria or medicine residues. Our approach at Mowi is to be transparent and share information to help dispel myths about farm-raised salmon.

### OUR EFFORTS

The safety of our consumers is our top priority. In connection with the production of farm-raised salmon, food safety hazards fall into three main categories: environmental contaminants; pathogen bacteria; and medicine use/residue.

Environmental contaminants in our feed and fish are kept far below the safe limits (MRL's) set by the food safety authorities around the world. In our monitoring program we include heavy metals, pesticides, GMOs, mycotoxins and dioxin/PCB.

Pathogen bacteria are kept under control to prevent contamination in our products, both to ensure the safety of our own ready-to-eat products and to ensure that fish sold to commercial customers for

onward processing is risk-free. *Listeria monocytogenes* is one of the potential food-borne pathogens in fish products which are consumed without prior heat treatment. Due to increased consumption of raw salmon in products such as sushi, it has become even more important to fully control the risk of listeria contamination.

Our approach to medicine use and medicine residue is very strict and is designed with an emphasis on disease prevention and fish welfare. Fish, like humans and other animals, might become ill and require intervention. Our fish health professionals use medicines only when other measures are not sufficient, or when fish welfare may be compromised. Any prescription is signed by a certified veterinarian or fish health professional, and the approval process is strictly controlled by the relevant authorities. Effective vaccinations have vastly reduce the need for antibiotics in most farming regions. If medicine does have to be used we comply with the medicine withdrawal periods set by the authorities, and carry out our own stringent monitoring to verify and document for our customers that the end-product is safe.

### 2018 RESULTS

The environmental contaminants 2018 results show that the levels found in our farm-raised salmon are well below the safe limits set for all markets.



In 2018, the European Food Safety Authority, EFSA, published a new risk assessment where it recommends changing the tolerable weekly intake (TWI) for the sum of dioxins and dioxin-like PCBs in foodstuff from today's 14pg per kilogram bodyweight a week to 2pg per kilogram bodyweight a week. This a recommendation related to all foodstuff as the tolerable weekly intake. For farm-raised salmon, the main source of dioxins and dioxin-like PCBs is fish oil from marine ingredients. Even though farm-raised salmon meet levels well below the European maximum limit of 6,5 pg TEQ/g for dioxins and dioxin-like PCBs, Mowi initiated cleaning the fish oils from the Northern Hemisphere to further remove persistent organic pollutants (POPs). By 2015, the level of dioxin and dioxin-like PCBs had been reduced by approximately 60%. As a result of oil cleaning and use of vegetable raw ingredients, Mowi salmon has the lowest levels of dioxins and dioxin-like PCBs compared to the industry standard.

As previously mentioned, the consumption of raw salmon in products like sushi has grown enormously over the last decade. As a producer of raw fish and sushi, it is vital that we have a strict hygiene regime and good pathogen control. Through our own Hygiene Manual, we enforce a common, group-wide hygiene standard. In addition to this standard, we have developed a self-assessment tool that will help the processing units to identify hygiene improvements. In 2018, we had three incidents of recall due to listeria in France. A primary cause of these listeria incidents was the startup challenges (training new staff, new equipment etc) at a new processing facility that replaced a smoke house in Landivisiau, France, that was leveled by fire. This is now solved through training and improved production flow.

In 2018, Mowi had 12 food safety incidents with six of these resulting in recalls. One-third of the incidents were due to the presence of listeria on our products, and accounted for three of the six recalls. Four of the incidents were because of listeria present on

our products. Three of these incidents led to recall. Corrective actions due to listeria incidents have been to increase the hygiene competence and improve in the processing facilities. Four other incidents were due to incorrect labeling, and three of them led to recall. Corrective actions included adjusting existing procedures and increased employee training. The remaining four incidents included; a customer claimed a pit-tag had been found in a product; motor coolant dripped on a product's surface; suspicion of salmonella suspicion; forced entry (intruder) at a harvest station. These incidents each required different corrective actions, and all have been addressed to eliminate or reduce the risk of this reoccurring.

### PRIORITIES GOING FORWARD

Maintaining the trust of consumers is a non-negotiable priority for our company. We will continue our comprehensive program to monitor the raw materials and feed used in our farming operations, to ensure that the level of environmental contaminants is far below the safe limits set by food safety authorities. At the same time, we will work to keep pathogen bacteria under control so that consumers eating our farm-raised salmon products can remain confident that they are safe. Through openness and transparency, we aim to provide evidence-based facts about our products which will help customers and consumers make informed choices.

However, should we come to a situation where tracking of our products will be necessary, we have during the last year developed a common traceability process for Mowi group. This process is then supported by Infor M3 Graphical Lot Tracker (GLT). In connection with the rollout of M3 in Mowi, GLT is now going to be implemented in all BUs. When fully implemented in 2019, Mowi will be the only salmon producer in the world with full traceability from breeding and feeding - through the full value chain until it reaches your plate.



## Quality Seafood

### THE CHALLENGE AND OPPORTUNITY

Every day, we produce high-quality farm-raised salmon and value-added products. High quality is ensured through procedures, training, and the sharing of best practices across the Group. In addition, we are constantly improving our monitoring programs and quality assurance systems, and implementing technology that helps us deliver high-quality products across the world.

### OUR EFFORTS

Every day, we maintain the trust of our customers by offering them products and services that match their expectations. When we are unable to meet these expectations, we welcome feedback to help us continuously improve. That information helps us to direct our resources to areas where additional attention is needed.

Our global Group Quality System, Qmarine, help us operate in a consistent way throughout the Group. All our operations must comply with a minimum set of third-party verified certification schemes addressing food safety, environmental responsibility, social responsibility and fish welfare. Chain of Custody certifications must be achieved, as required by GlobalG.A.P, GAA/BAP and ASC.

### 2018 RESULTS

Based on feedback from the market (quality and food safety claims) and the superior quality grade of 91% in 2018, we know our farm-raised salmon and value-added products are of excellent quality.

The superior share (i.e. the proportion of the salmon without damage or defects that provides a positive overall impression) has remained above 90% for the last five years. Approximately 9% of our fish were downgraded by Mowi's expert quality inspectors mainly due to spinal deformities, winter wounds and melanin spots.

In 2018, we received a total of 10 090 quality and food safety claims, compared to 10 061 quality and food safety claims in 2017. The top three reasons for claims were texture deterioration, effects from the parasite *Kudoa thyrsites* and pale flesh colour. Compared with 2017 figures we can see a reduction of claims related to texture and *Kudoa*, but colour has increased. Neither *Kudoa thyrsites*, texture deterioration nor pale colour pose a risk to human health, but the product's impaired appearance has a negative impact on the salmon's appeal and reputation. The highest proportion of texture and *Kudoa* claims related to salmon of Canadian origin.

### PRIORITIES GOING FORWARD

Although the quality of our products is already high, we know there is always room for improvement. Feedback from the market and internal KPIs helps us to focus on the right tasks. We continually strive to attain high quality through our research and development efforts and our quality assurance systems and controls.

We are now creating a common claims process to be rolled out at Mowi units with M3. Along with M3, a software tool has been developed in collaboration with Infor. This will help Mowi respond faster and with greater accuracy to claims we receive from customers. Additionally, we will gather vital global data to help us focus actions where needed at different regions to help us continuously improve our quality performance.

In Canada, we are undertaking a variety of projects and activities to gain a better understanding of what is needed to reduce the quality losses associated with *Kudoa thyrsites*. The last two years we have been able to reduce the number of *Kudoa thyrsites* claims, largely due to the various initiatives underway.

In 2018 initiatives to understand how to improve the flesh colour has received high priority in Mowi and we expect to see a positive development going forward. Regarding spinal deformities are we running different projects to understand the root cause and take the actions that are needed.

### AUDITS, REVIEWS AND CERTIFICATIONS

We have set minimum requirements for third-party certifications throughout the Group. The major new development in this area in recent years has been our decision to certify our farms to the Aquaculture Stewardship Council (ASC) salmon standard. Work towards this objective will continue in 2019.

In 2018, we received 96 food safety and quality certification audits at our processing facilities (from third parties).

CERTIFICATION TABLE

BUSINESS UNIT	ACTIVITY	CERTIFICATION	PROPORTION OF PLANTS CERTIFIED TO EACH SCHEME
Fish Feed	Feed production	GlobalG.A.P	100 %
Ireland	Broodstock and juveniles	ISO 9001, ISO 14001, OHSAS 18001, GlobalG.A.P, Naturland Organic, BioSuisse Organic, EU Organic Aquaculture, Freedom Food, Irish Certified Quality Salmon Organic, Origin Green	100%
	On-growing	ISO 9001, ISO 14001, OHSAS 18001, GlobalG.A.P. Naturland Organic, BioSuisse Organic, EU Organic Aquaculture, Irish Certified Quality Salmon Organic, Origin Green. ASC	ISO 9001, ISO 14001, IOHSAS 18001, GlobalG.A.P = 100%. Origin Green = 100% EU Organic Aquaculture, Naturland Organic, BioSuisse Organic = 100% ASC 4 sites.
	Primary processing	ISO 9001, ISO 14001, OHSAS 18001, BRC, Naturland Organic, BioSuisse Organic, MSC CoC, ASC CoC, EU Organic Aquaculture, Irish Certified Quality Salmon, Origin Green	100 %
Chile	Broodstock and juveniles	GAA BAP	Implementing 2018
	On-growing	GAA BAP, Implementing ASC	100%
	Primary and secondary processing	GAA GAA BAP, BRC (third party), ASC CoC	GAA GAA BAP 100%, BRC 100% third party, ASC CoC 67%
Norway	Broodstock and juveniles	GlobalG.A.P	100%
	On-growing	GlobalG.A.P, ASC	100%, ASC 49 farms
	Primary and secondary processing	FSSC 22000, GlobalG.A.P, ASC CoC	100%
	Sales office	ISO 9001, ISO 14001, ISO 22000, GG COC og ASC COC.	100%
Canada West	Broodstock and juveniles	GAA BAP	GAA BAP 100% hatcheries and broodstock facilities
	On-growing	GAA BAP, ASC	GAA BAP 100%, ASC 23 farms
	Primary processing	GAA BAP, ASC CoC	GAA BAP Port Hardy 100%, Klemtu ASC CoC only
Canada East	Broodstock and juveniles	GAA BAP	25 %
	On-growing	GAA BAP	67 %
	Primary processing	GAA BAP	100 %
Scotland	Juveniles	Label Rouge, GlobalG.A.P, ISO 9001, ISO14001, COGP, RSP-CA assured, Royal Warrant Holders	100% Label Rouge
	On-growing	Label Rouge, ASC, GlobalG.A.P, ISO 9001, ISO 14001, PGI, COGP, RSPCA assured, Royal Warrant Holders	Approx. 20% Label Rouge dedicated farms, ASC 1 farm
	Primary processing	Label Rouge, BRC, GlobalG.A.P, ISO 9001, ISO 14001, PGI, COGP, RSPCA assured, Royal Warrant Holders	100 %
The Faroe Islands	Broodstock and juveniles	GlobalG.A.P	100 %
	On-growing	GlobalG.A.P	100 %
	Primary processing	GlobalG.A.P	100 %
Consumer products	Secondary processing	IFS, BRC, Organic, GlobalG.A.P, MSC, ASC CoC (salmon, tilapia, pangasius), Icelandic Responsible Fisheries (IRF), Kosher, RSPCA, Label Rouge	Pieters: BRC, IFS, GlobalG.A.P, Organic, MSC, ASC, (IRF), RSPO Oostende: BRC, MSC, ASC, Organic, GlobalG.A.P Boulogne: IFS, GlobalG.A.P, Organic, BioSuisse, MSC, ASC, Label Rouge, RSPCA Kritsen Chateaulin: IFS, Organic, Kosher Appeti Marine: IFS, BRC, Organic, MSC, ASC, RSPCA Sterk: BRC, IFS, GlobalG.A.P, MSC, ASC, RSPO, ETI* Lorient: IFS, Organic, MSC, ASC Mowi Poland Utska (Frozen): BRC, IFS, ASC, GAA BAP, Organic, GlobalG.A.P, FDA, RSPO B Mowi Poland (MORPOL S.A): BRC, AEO, MSC, ASC, GAA BAP, Organic, GlobalG.A.P, Kosher, IFS, FDA Rosyth: BRC, ASC, Organic, RSPCA, GlobalG.A.P Chain of custody Morpol specialities: BRC, IFS Morpol France: No certificate Morpol Laurin: IFS, Global G.A.P, ASC, MSC Mowi Harsum GmbH (Germany Harsum): MSC, ASC, IFS, organic, Global GAP, RSPO, VLOG in process audit in March Mowi Czech Republik: IFS Food 6.1 Mowi Sweden: MSC, ASC, ORG
	Sales office	IFS Broker, MSC, ASC, organic, GlobalG.A.P, MSC, ASC	Laschinger Seafood Germany: 100% Czech Republik: 100%
Americas	Secondary processing	SQF Edition 8, ASC/MSC	Ducktrap: SQF Code Edition 8 Food Safety & Quality, Kosher, MSC Miami: SQF Level 2, Dallas: SQF Level 2, BAP
Asia	Secondary processing	SQF level 3, ISO 22000, BRC	Narita, Kansai, Incheon, Zhongli: SQF Level 3, Amanda Foods: BRC, SA 8000:2014, Zhongli: ISO 22000; 2005, FSSC 22000

\* Ethical trade initiative.



## Healthy Seafood

### THE OPPORTUNITY

Our salmon is an excellent source of high-quality protein, vitamins and minerals (including potassium, selenium and vitamin B12), but it is the content of Omega-3 fatty acids that receives the most attention, and rightly so. These fatty acids are thought to contribute to healthy brain function, as well as the heart, joints and general well-being. Other health benefits derive from the protein and amino acid content of salmon. Several recent studies have found that salmon contains small bioactive protein molecules (called bioactive peptides) that may provide special support for joint cartilage, insulin effectiveness, and the control of inflammation in the digestive tract.

In recent years health authorities around the world have advised people to consume plenty of oily fish, because of the health benefits. Since 2014, health authorities in Europe (European Food Safety Authority), the US (Food and Drug Administration) and Norway (Norwegian Scientific Committee for Food Safety, VKM) have recommended that people of all ages increase their intake of seafood, particularly oily fish like farm-raised salmon.

In 2015, US Health and Human Services (HHS) and the US Department of Agriculture (USDA) published the latest five-yearly Dietary Guidelines for Americans (DGA). Their recommendation is that Americans should eat at least 8oz (237 gram) of seafood per week. For pregnant and breastfeeding women the recommendation is even higher - to eat 8 to 12 oz (237 - 355 gram) per week.

In 2017, the US Food and Drug Administration and the US Environmental Protection Agency issued a further note regarding fish consumption. This advice is geared to helping women who are pregnant or may become pregnant - as well as breastfeeding mothers and parents of young children - make informed choices when it comes to fish that are healthy and safe to eat. One of the species considered as "best choice" by the FDA is salmon.

A recent study at the University of Pennsylvania in the US supports the recommendation that people, and especially children, should increase their seafood intake. This study found that eating fish improves children's cognitive ability. A study carried out by researchers at the medical school found that frequent fish intake (at least 2-3 times per month) was associated with fewer sleep problems and higher IQ scores.

In 2016, NIFES (the National Institute of Nutrition and Seafood Research) in Norway presented the results of a project proving that schoolchildren have better concentration and kindergarden children gain better learning abilities by eating more oily fish.

### 2018 RESULTS

Eating our farm-raised salmon, packed with protein, vitamins, and nutrients, can lower your blood pressure and help reduce the risk of a heart attack or stroke. Our salmon is an important source of Omega-3 fatty acids for many consumers around the world, with these essential nutrients helping to keep their hearts and brains healthy.

Our salmon is also a source of vitamin D, which is necessary for the body to function. The vitamin promotes normal calcium uptake in the intestine, normal bone metabolism, and is important for our cells. In addition, some research shows that vitamin D can help prevent depression, dementia and cancer, as well as diabetic and cardiovascular diseases.

To guarantee our salmon is healthy, tasty and rich in essential nutrients, we track the raw materials used both in our own and third-party feed production. Results from our surveillance program in 2018 show that our salmon contains expected levels of EPA and DHA (long-chain Omega-3 fatty acids) and vitamins (B12, E and D), as well as the minerals selenium and iodine.

### PRIORITIES GOING FORWARD

As in previous years, we will continue to control the nutritional content of our salmon. We want there to be no doubt that our salmon is both safe and significantly healthier than most other food products, with a nutritional profile that will benefit people of all ages.



*"Eating fish is an important source of Omega-3 fatty acids (EPA and DHA). These essential nutrients keep our heart and brain healthy. Our bodies don't produce Omega-3 fatty acids, so we must get them through the food we eat. Omega-3 fatty acids are found in every kind of fish, but are especially high in fatty fish like salmon..."*

Washington State Department of Health

## Health benefits of salmon

Our salmon is a high-quality product that has a taste and health profile that few other products can match. It is rich in Omega-3 fatty acids (EPA+DHA), vitamins (B12, E and D), and the minerals selenium and iodine. These are important nutrients for people of all ages.



**Selenium**  
for cognitive function



**EPA & DHA and iodine**  
for neural development and function



**Protein**  
in a balanced healthy diet



**EPA & DHA and selenium**  
for heart health



**Selenium**  
for fertility in men and women



**Vitamin D**  
for bone health

## One portion (140g) of Mowi salmon

### Iodine

**19% of RDI**

Iodine plays a vital role in our metabolism and a deficiency can lead to reduced growth and mental decline. It's particularly vital for pregnant women to aid the growing baby's development.

### EPA & DHA

**722% of RDI**

EPA and DHA are in cell membranes and help cells function properly. Marine Omega-3 prevent development of cardiovascular disease.

### Selenium

**23% of RDI**

Selenium helps cognitive function and fertility for men and women. Lack of selenium leads to weakening of the heart muscles and increased risk of cardiovascular disease.

### Protein

**49% of RDI**

Protein is a building block in muscles. At least nine amino acids are essential for humans, and all nine are present at balanced levels in our salmon.

### Vitamin B12

**303% of RDI**

Helps red blood cells form and keeps the nervous system healthy. A lack of vitamin B12 can cause a form of anaemia.

### Vitamin D

**50% of RDI**

Helps the body absorb calcium. Lack of vitamin D is associated with rickets in children and soft bones in adults.

### Vitamin E

**65% of RDI**

Plays a role in our immune function and is an important anti-oxidant needed to protect cells.

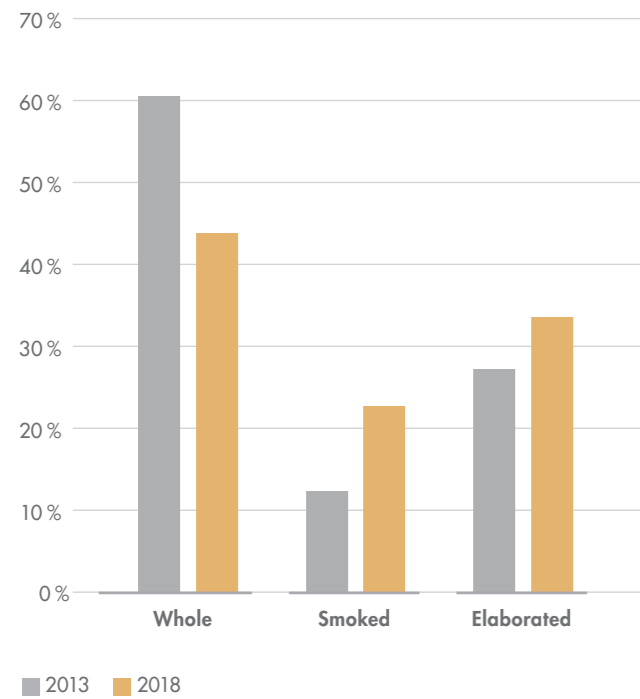
### Total fat

**24-39% of RDI**

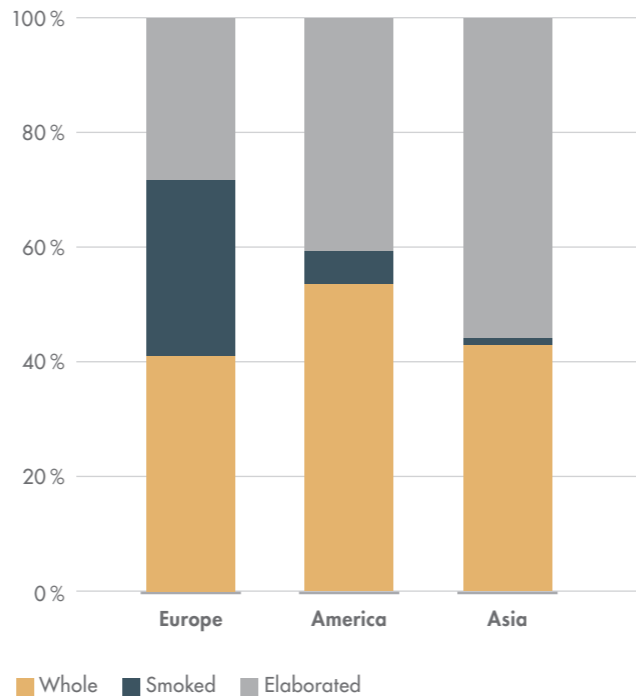
Salmon is rich in the very long chain fatty acids which are essential for our health and are needed to ensure cells function well.



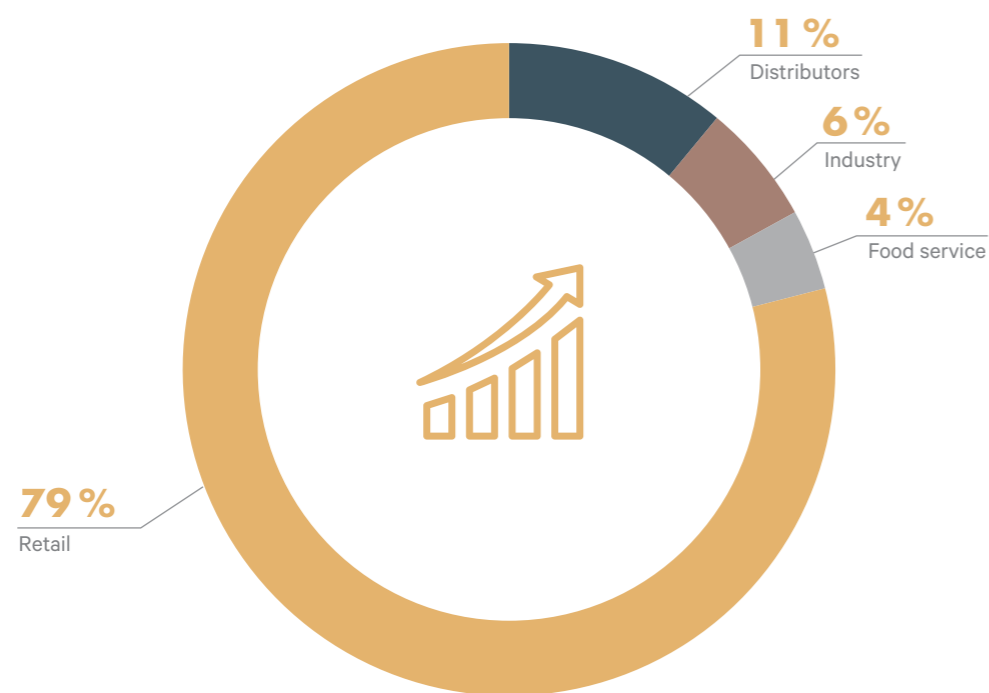
**Development value added sales**  
Atlantic salmon



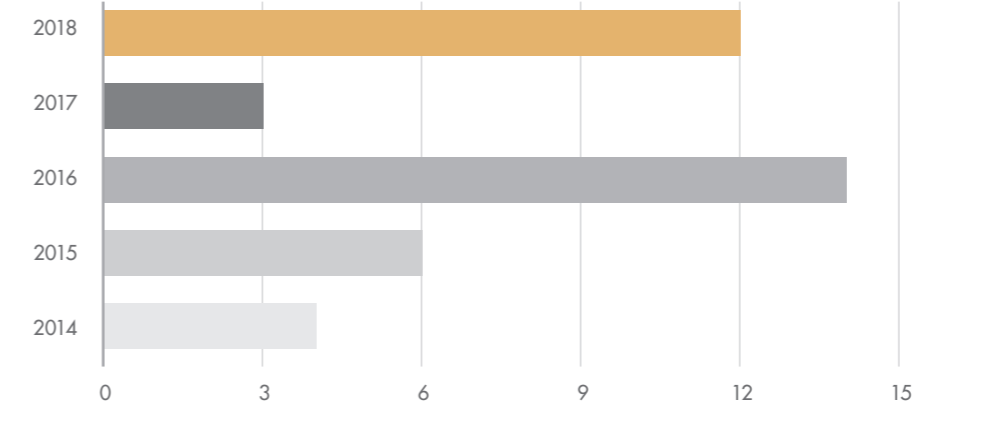
**Value added product sales**  
Per region 2018



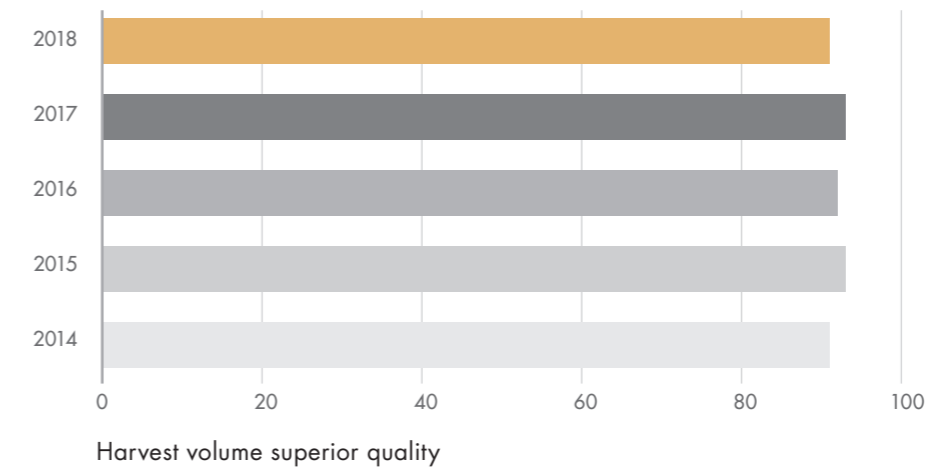
**Value added product sales**  
By market channel 2018



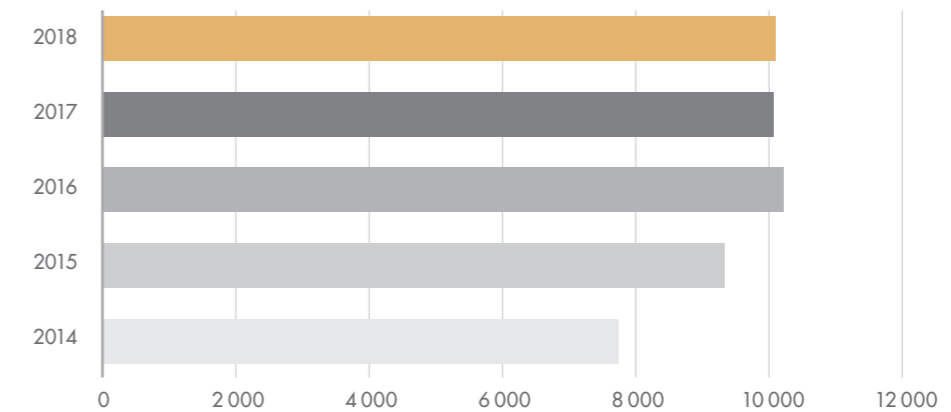
**Number of food safety related incidents and claims**



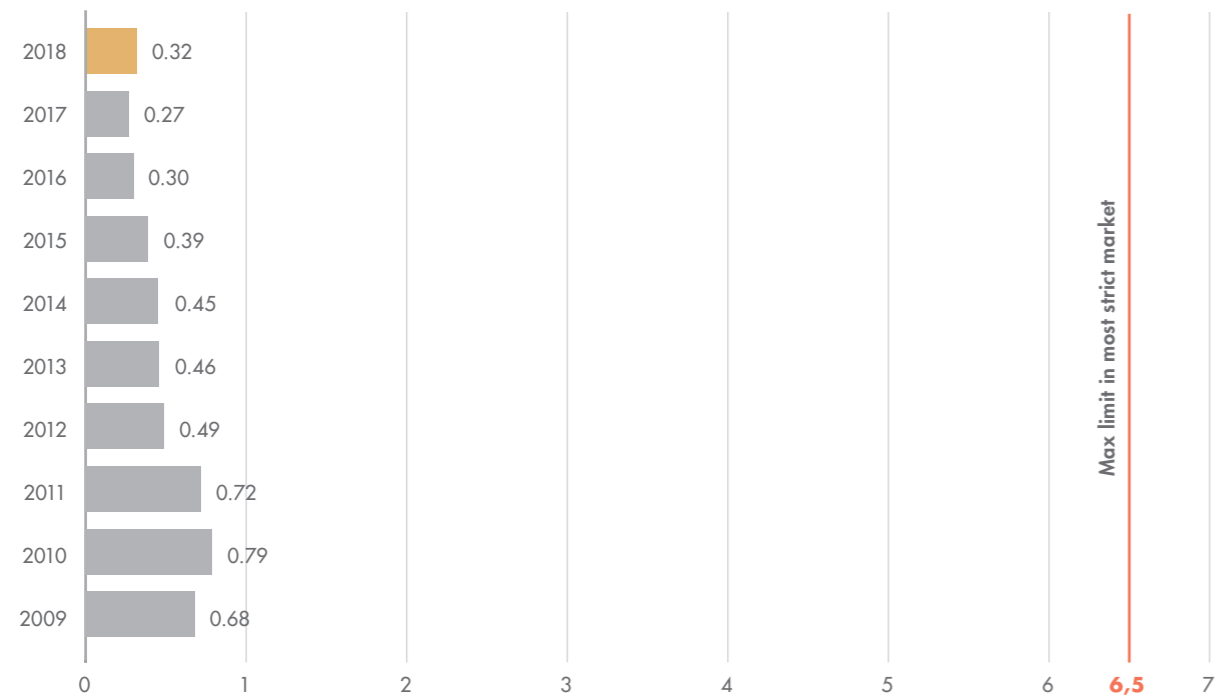
**Quality of harvested salmon**



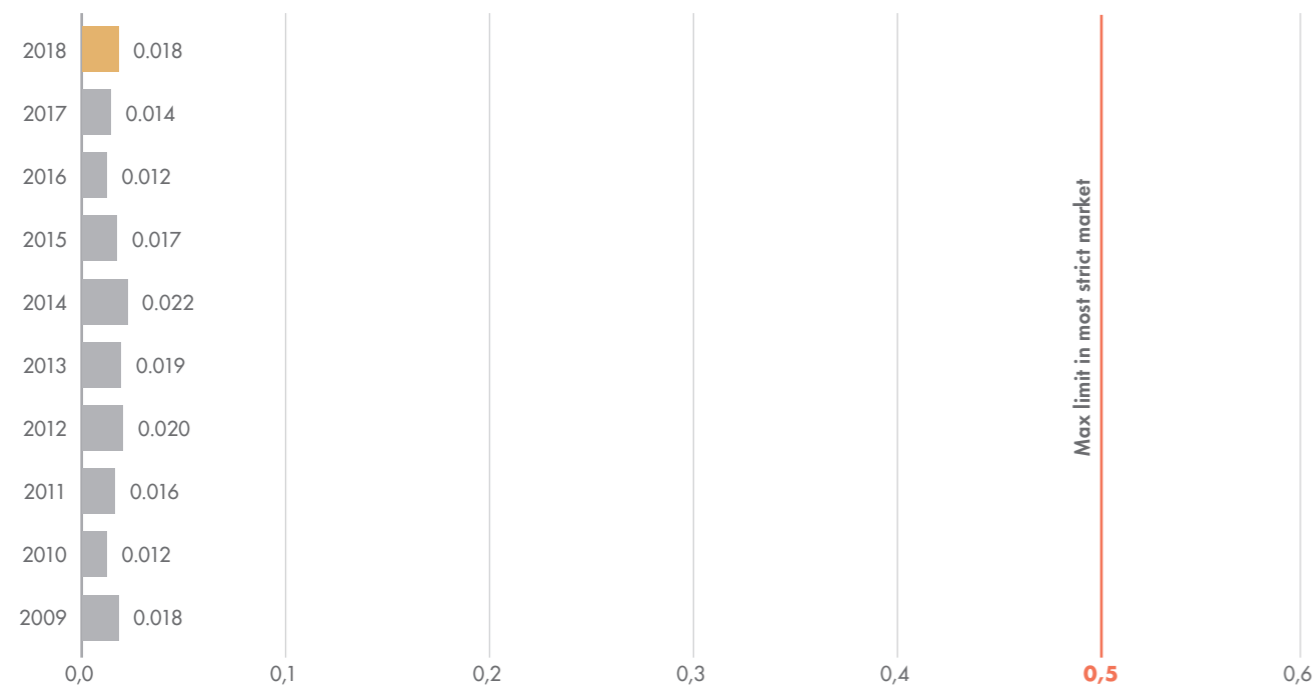
**Number of quality claims**



**Level of dioxins and dioxin-like pcbs**  
(pg-WHO-TEQ/g)



**Level of mercury**  
(mg/kg)



**NUTRITIONAL VALUES IN MOWI SALMON 2018**

NUTRITIONAL FACTORS	PARAMETER	VALUE MOWI SALMON		% OF RECOMMENDED DAILY INTAKE	VALUE WILD ATLANTIC SALMON*	% OF RECOMMENDED DAILY INTAKE WILD SALMON	RECOMMENDED DAILY INTAKE (RDI)**	
		Value	Unit				Value	Unit
Fat	Total fat	21,0	g/140 g	23-38%	11,2 g/140 g	12-19%	55-90	g/d****
Omega-3 fatty acids	Total EPA + DHA	1,8	g/140 g	711%	2,1 g/140 g	839%	0,25	g/d
Vitamins	Vitamin B12	7,9	ug/140 g	396%	n/a	n/a	2	ug/d
	Vitamin D	7,0	ug/140 g	70%	0,02 mg/140 g	n/a	10	ug/d
	Vitamin E	4,8	mg/140 g	53%	2,2 mg/140 g	25%	9	mg/d
Minerals	Iodine	0,03	mg/140 g	19%	0,06mg/140 g	38%	0,15	mg/d
	Selenium	0,03	mg/140 g	47%	0,06mg/140 g	94%	0,06	mg/d
Protein	Protein	29,4	g/140 g	51%	29,2 g/140 g	51%	58	g/d***

\*Source: National Institute of Nutrition and Seafood Research (NIFES) - nutritional value of 99 wild salmon in 2013.

\*\*Nordic Nutrition Recommendations 2012 and EFSA.

\*\*\* Recommended daily intake of proteins for adults (70 kg) is 0.83 g protein/kg body weight/daily.

\*\*\*\* For an adult with a calorie requirement of 2000 kcal/day. It is recommended that fat account for 25-40% of daily energy intake.

One portion is defined as 140 gram of salmon by the EU.



# Nature or nurture? It's both

Like any Olympic athlete, it is a winning combination of genetics, nutrition and hard work that gets you to the podium. You will find those same winning qualities in the broodstock used for MOWI - a superior quality salmon brand.

## Genetically superior

The salmon farming idea was born in Bergen in the 1960's, where the very first Mowi salmon were caught in the nearby Vosso river and Årøyelvi. These salmon formed the foundation of what turned out to be a winning breed. Mowi broodstock is a premium seafood that comes from a unique and proprietary breed that can be traced back for generations - our Mowi broodstock is at the core of our business. Having a great start is important, but continued breeding for excellence is what has taken Mowi to where it is today. Over the decades, our team of breeding and genetic experts have carefully selected for a fish that meets the needs of our salmon farms and satisfies what customers desire. No one else does this to the same scale - this is unique in the salmon farming world. It was decades in the making before MOWI Pure and MOWI Supreme could be born.

## MOWI PURE

*Premium fresh cuts of delicious and highest-quality salmon.*

## MOWI SUPREME

*The absolute epitome of smoked salmon, made from our hand-picked "Emperor" salmon.*

## Feeding a winner

With continued investment into feed production, Mowi now controls all ingredients and nutritional inputs for its salmon. The perfect diet will grow a healthy and delicious salmon. MOWI broodstock are fed a unique diet that delivers especially great taste, intense colour, and higher Omega 3 levels. It is these premium attributes that consumers desire in a premium salmon brand, and that we will satisfy.

## Nurturing from egg to plate

Not every salmon will be an Olympian. From millions of eggs, only a select few may qualify to become MOWI broodstock. MOWI Supreme will be raised in the ocean for an additional year, allowing them to receive a specialised diet richer in marine nutrients, growing bigger and stronger while absorbing more Omega 3s. These bigger fish produce larger fillets that are even more juicy and tasty and have a unique texture and colour.

At harvest, each MOWI Supreme salmon is carefully handpicked and smoked to perfection using traditional rope smoking techniques. You can break from reading now, should your mouth be watering. As we move into this new era of customer satisfaction, we intend to reinvent the salmon category with our MOWI broodstock. We will create a unique culinary experience for customers, providing them additional value, differentiation and a gourmet reference for the most selective chefs.

From humble beginnings swimming the Vosso river, both nature and nurture have brought the Mowi salmon up to become the high standard others look for in aquaculture. Our dedication to the Mowi breed - for the generations to come - will ensure Mowi remains the ultimate standard for productivity, sustainability and quality.



# A twist on a Swedish favourite: The Salmon & Cod Ball

When it comes to signature Swedish foods, most global foodies are aware of the famous Swedish meatball and maybe also its veggie version. But now there's a new alternative on the IKEA menu:

## Introducing the salmon and cod ball

In 2018, Mowi's new product development team in collaboration with IKEA and one of their main meatball suppliers, Dafgård, developed a delicious and more sustainable (m)eatball based on salmon and cod. The salmon and cod ball has now been introduced to IKEA customers in many markets and will soon also be offered in a packed version in the Swedish Food Market in IKEA stores for customers to bring home.

Michal Sturtz, new products development director at Mowi, is excited to see this product quickly move from an idea to a delicious menu item at IKEA. "We are proud to have worked together with IKEA for their development of the salmon and cod balls which is now rolled out globally. Together with Dafgård and IKEA, we've created a product that we believe meets consumer needs and expectations, combining savory flavour and sustainability."

From taste to carbon footprint, it's a good choice. The salmon and cod ball is approximately seven times lower in CO2 emissions than the traditional meatballs.

*"We are very proud that we have developed this product as we knew IKEA was really eager to provide its customers with the fish version of their successful meatball."*

Michal Sturtz,  
New Products Development Director at Mowi

The product's main ingredients are salmon and cod off-cuts, making the most out of the raw material of the fish meat. Mowi supplies the fish for the salmon and cod balls in frozen block form, to ensure preservation of freshness.

"During the product development of the salmon and cod balls we saw a lot of potential in the smaller pieces of fish - the ones that cannot be used as fillets. But these are just as good and delicious! We worked closely with both of our development partners, optimized the process and together created a new, tasty (m)eatball" says Sabrina Anania-Stepanian, product developer IKEA Food Services AB. "We tested the salmon and cod balls in IKEA Restaurants in Portugal during spring 2018 and got fantastic feedback: Over 80% of restaurant guests that tried the new salmon and cod balls liked them and almost 90% of customers appreciated the (m)eatballs as a more sustainable option."

Mowi's account director Marcus Axelsson sees great potential for more supplier/customer partnerships, noting that "during the development process of the salmon and cod ball we have become much closer in our partnership and it opens up for future collaboration to find new ways of selling sustainable seafood to customers all around the globe."

To learn more, watch IKEA's introductory video about the salmon and cod ball. Scan the QR code with your smart phone.



# Careers for life – building a winning team

The safety, self-respect and personal pride of our employees cannot be compromised if Mowi is to succeed as a company and maintain good relationships with local communities.

## Corporate culture

Continuous efforts to integrate "The Mowi Way" globally to unite our organisation and inspire our people.

## Ethical business conduct

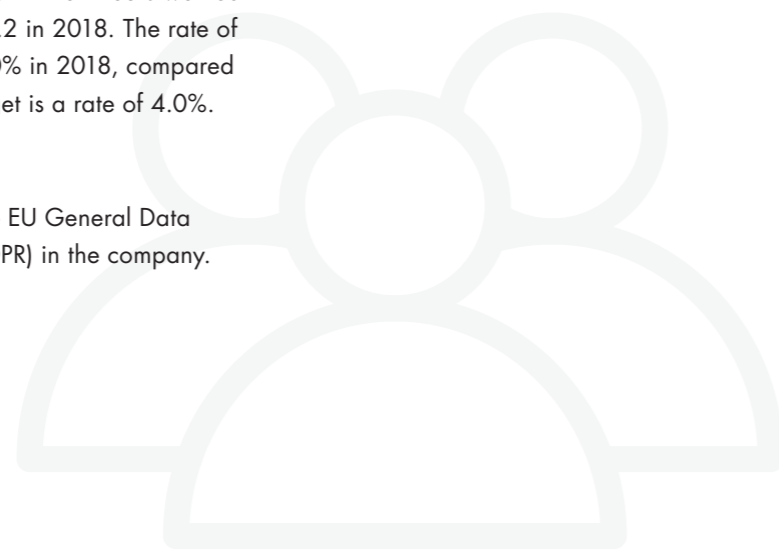
Nine incidents were reported through our whistleblower channel in 2018.

## Employee health and safety

Lost Time Incidents (LTI) per million hours worked fell from 6.6 in 2017 to 5.2 in 2018. The rate of absenteeism ended at 5.0% in 2018, compared to 5.2% in 2017. Our target is a rate of 4.0%.

## GDPR

Implementation of the The EU General Data Protection Regulation (GDPR) in the company.



## PEOPLE

Safe and  
meaningful jobs



# PEOPLE

Material value drivers	Ambitions
Performance-driven culture	Live our values and vision, and work cost effectively day to day – The Mowi Way
Ethical business conduct	Compliance with our Code of Conduct across the Group
Ensure employee safety and security	Reduction in LTI per million hrs worked and absence rate at 4%
Purpose-driven organization	Develop and support the local communities in which we operate

## Providing meaningful jobs

### THE OPPORTUNITY

Our employees are our most valued assets, and our success depends on our ability to attract and retain staff.

### OUR EFFORTS

We want to attract skilled employees who are passionate about Mowi's vision of "Leading the Blue Revolution". To do so, we need to be a trusted and a professional employer, with a reputation for ensuring our people are protected and rewarded. We believe one of our competitive advantages is our ability to offer meaningful and challenging jobs in a good working environment. We aim to be open and transparent, and we continue our efforts to integrate the ten principles of the United Nations Global Compact into our business strategy, culture and day-to-day operations. We also wish to play our part in the UN Sustainable Development Goals through focusing on sustainable operations in all aspects of our business.



The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human and labor rights, the environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. How Mowi is contributing to the UN's Sustainable Development Goals can be found on page 27 and 28, and will be visualized throughout the People-part.

### Fair employment

We are committed to fair employment practices, a commitment embodied in our Code of Conduct and in our values. Our activities are conducted without discrimination, and each employee is treated as an individual.

### Fair compensation

Wherever we operate, we comply with the country's laws on compensation, and no employee is paid less than the official national minimum wage. Our personnel review system and the presence of labour unions ensure all employees are compensated fairly. With respect to working hours and overtime, our policy is to comply with the employment protection legislation in the countries in which we operate.

### Freedom of association

We recognise that all employees are entitled to freedom of association, including the right to engage in collective bargaining. The number of employees who are members of labour unions and participate in collective bargaining agreements varies from country to country, from zero in Ireland and Scotland to almost all employees at our processing units in continental Europe. When it comes to employment contracts, all new employees will receive written employment offers. Employees are invited to be members of relevant worker committees. (Exact figures below are unavailable due to legal restrictions).



### Diversity and equality

We strive to attract a diverse workforce and provide equal opportunities, and we have developed e-learning courses with focus on diversity and equal rights that will be available to employees in 2019. We aim to attract female employees to all levels in our organisation. At Mowi, we offer training, promotion and development opportunities for every employee. Within the Group, there are some differences



*"This MBA is a great opportunity to learn about key aspects such as strategic analysis, innovation, cultural differences or sustainability, with specialists from different sectors of the industry. It is a heavy commitment, but a fantastic journey. It is worth it."*

Fernando Lenne  
Seafood MBA and Sales Trade Director Mowi France

regarding the benefits to which permanent and temporary employees are entitled, due to the number of hours worked. Parental leave is an opportunity for both women and men in line with local laws related to this area.

### Develop and engage

As part of our efforts to be an attractive employer, build competence and share best practices, we offer exchange programs and opportunities to learn through Mowi Academy. We also sponsor several courses and postgraduate, including the Seafood Trainee Program and the Executive MBA in Sustainable Innovation in Global Seafood. Our recruitment efforts include offering apprenticeships to young employees through cooperation with local schools. In Canada, we have an agreement with Vancouver Island University and have developed our own educational program called Management Skills for Supervisors.

### Privacy

During 2018 the EU General Data Protection Regulation (GDPR) was implemented in the company, with the purpose of compliance as well as strengthening and unifying the privacy of both our employees and contractors. We conducted a global training course highlighting the new regulations with policies and procedures for processing of personal data to ensure GDPR compliance.

### 2018 RESULTS

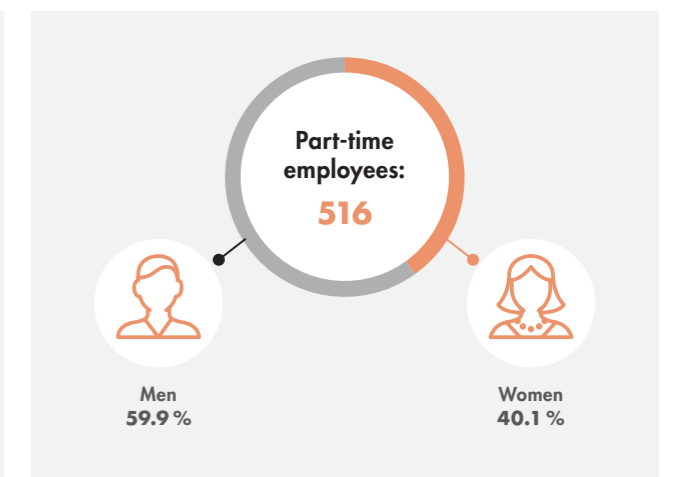
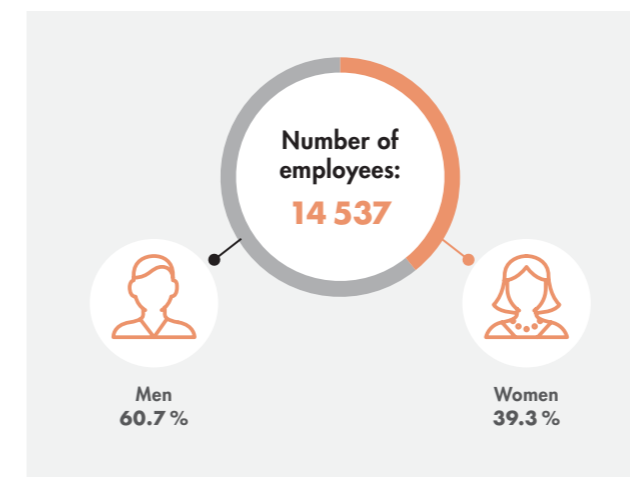
At the close of 2018, we employed 14 537 people in 25 countries around the world. The number of employees increased by 1 304 during 2018. At the close of 2018, women accounted for 39.3 % of our 11 549 permanent employees, a decrease by 2.5 % from 2017. The Group had 516 temporary employees compared to 813 in 2017, which suggests our focus on diversity, sustainable workforce development, fair employment and retaining talented employees has provided positive results. This also transpires through 40.1 % of the temporary employees being female, only decreasing by 3 % despite a decrease from 6.1 % to 3.5 % in temporary workforce. See the table showing a breakdown of our workforce by type of employment, gender and region at the end of this section.

### PRIORITIES GOING FORWARD

We will continue our efforts to keep our organisation competitive by attracting, recruiting and developing talented people, and engaging and retaining our employees.

Our focus on practicing fair employment, diversity and gender balance in the workplace is an integral part of our operations, and we will continuously work to ensure a sustainable workforce going forward. To secure the right skills and competences for the future, talent management and leadership is a key priority. Traineeships, talent pipeline, succession planning, international mobility programs and the Mowi Academy are essential elements to continue building competence and sharing best practices.

The GDPR regulation is implemented, however safeguarding of our employees' personal data is a continuous effort. The global employee engagement survey will be performed in 2019.



## Leading a revolution

### THE OPPORTUNITY

Leading a revolution requires passionate people, who share our vision and values. We have a large workforce, from a variety of backgrounds, and this requires a shared corporate culture to unite our organisation and inspire us to reach common goals. An important element is our conviction that best practices should be applied everywhere. Our leaders must embrace change and dare to take the bold steps necessary to remain at the forefront of developments in the industry.

### OUR EFFORTS

Our vision, "Leading the Blue Revolution", gives direction and outlines possibilities. Our values - Passion, Change, Trust and Share - inspire us to act in the right way and are key enablers for reaching our goals. Taking the lead is about setting a course and taking responsibility, and our leadership principles provide an important guide for our managers' behaviour. Success depends on all of us, but it depends even more on our leaders. To increase leadership abilities we have established a mobility program offering job exchange opportunities across business units, as well as complete leadership programs.

Taking the lead also entails being a cost leader in our industry. Essential elements to achieve cost control and effectiveness are clear strategies and goals, central coordination of major procurement categories as well as increased cooperation between our business units.

Building a strong corporate culture that encourages cost-effective performance and mitigates risks by integrating our vision, values, leadership principles and Code of Conduct into our day-to-day work - represents The Mowi Way. This is the means by which we will achieve our "One Company" goal.

### 2018 RESULTS

In 2018, we continued our efforts to integrate our vision, values and leadership principles into our day-to-day operations, implementing and reinforcing The Mowi Way globally. Our vision, values and leadership principles is an integrated part of all our people processes, for instance Onboarding, Code of Conduct annual training and recruitment. These elements are also incorporated in our entire performance management system, guiding the process. These areas are also covered in each employee's annual performance appraisal.

### PRIORITIES GOING FORWARD

Our ambition is to maintain and strengthen our existing culture, support employee development and drive group-wide best practice - The Mowi Way. We are continuing our initiatives in the areas of competence and leadership development, talent management and workforce planning. We will also strengthen our efforts to encourage international mobility as part of our "One Company" initiative, since employees working on different types of international assignments make a tremendous contribution to the sharing of knowledge and transfer of skills.

A revolution does not happen by itself - the society and the development of the industry calls for leaders with a global mindset that acknowledges the need for digital transformation and sustainability. Our focus on leadership development is an essential element for the future of Mowi.

### At Mowi we care

We care for our people, our fish, our customers and the environment.



## Ethical Business Conduct

### THE CHALLENGE AND THE OPPORTUNITY

Mowi is made up of 14 537 people from 25 different countries, with different backgrounds, nationalities, cultures and customs. Mowi is committed to high ethical standards in our business dealings worldwide, and we expect our employees to make our Code of Conduct a personal commitment. Abiding by the Code of Conduct is an important element in our ability to engender trust, and is an integral part of The Mowi Way.

### OUR EFFORTS

Our Code of Conduct guides what we do and say each day, it provides direction and guidelines and clarifies where we draw the line. The Code of Conduct sets the standards of behaviour which we can expect from one another, and which external parties can expect from us. The complete Code of Conduct is available at mowi.com.

The Code of Conduct also includes topics on whistleblowing, anti-fraud and anti-corruption, financial reporting as well as regulatory compliance. Our group-wide policies are discussed with local management teams as part of our risk management, internal control and governance processes. Our internal audit function, which is outsourced to a professional audit firm (PwC until 2018, and KPMG from 2019), also has a specific focus on fraudulent and unethical behaviour.

We believe that openness and good communication promote a better culture. Our whistleblower channel facilitates the reporting of concerns about potential compliance issues, with regard to both laws and regulations and our own Code of Conduct, covering the areas of environment, human and labour rights, equality and diversity, health and safety, business ethics and anti-corruption, conflict of interest, prevent discrimination and ensure professional behaviour. The whistleblower channel is managed by an independent third party, and all notifications are handled confidentially.

In the event of organisational changes in our operations our company practice is to give notice as early as possible and cooperate with the employee representatives in the organisation(s) affected.

Mowi Chile is using an Ethics Management System to identify, prevent and address any issues that may damage the image, reputation and sustainability of our Chilean organisation. As part of this prevention model, we have a Corporate Integrity channel for our Chilean employees to seek advice and report situations related to ethical topics. Concerns are handled confidentially by an ethics advisor, who will investigate and report to an internal ethics committee.

### 2018 RESULTS

The majority of our employees must undergo mandatory testing on our Code of Conduct.

No instances of perpetrated or alleged fraud in our operations, nor any major breaches of our Code of Conduct were reported in 2018. We have conducted the annual online training and testing of our Code of Conduct.

Nine cases were reported through our whistleblower channel in 2018. Eight of the cases are closed, one is currently being investigated in collaboration with Human Resources. Two of the reported incidents were related to discrimination in the form of harassment in the workplace, which were followed up and resolved internally. The majority of the reported cases were made anonymously. We received no whistleblowing reports from communities neighbouring our facilities in 2018.

We have been fined in total 13 times during the year, and paid the amount of EUR 91 000. We were fined the amount of EUR 77 273 by the Food Safety Authority related to animal welfare October 2017, which was paid in 2018. Please also see Note 27 to the Group financial statements for more information.

### PRIORITIES GOING FORWARD

We will continue our efforts to ensure that our standards of behaviour comply with our Code of Conduct, and that all new employees commit to upholding its provisions. We will continue with annual testing of the Code of Conduct and encourage the reporting of concerns through our established whistleblowing channel. The importance of ethical behavior will continue to be communicated through our leadership workshops, to ensure strong ethical principles are upheld by management.

We have implemented terms and conditions towards suppliers. This includes key obligations such as Quality Environmental Health & Safety (QEHS), anti-corruption and business ethics (Supplier Code of Conduct), minimum wage and working conditions, compliance with laws and regulations and audit rights.

## Employee health and safety

### THE CHALLENGE

We aim to have zero workplace injuries. Health and safety is paramount in everything we do, and safety will never be compromised for any other business priority.

### OUR EFFORTS

Experience shows that many incidents are caused by inattention. Our global safety program, BrainSafe, is a behaviour-based safety process designed to empower our employees to take control of their own safety. We believe the best results can be achieved through a holistic approach, encompassing all areas - person, environment and practice - but with the most crucial element being the employees and their safety mindset. Safety must be the top priority in the minds of all our employees, as we all want to go home safely at the end of the day.

In 2018 we rolled out the "Talk Safety Be Innovative" campaign which generated almost 300 workshop events. The purpose of these events was to highlight hazards, issues, gap of health and safety, planning and assessing. The various management teams engaged in the initiative and the majority of the units reported the events as a great success. Our focus on workplace safety engaged the employees to think outside the box and propose innovative ideas. Early wins like safety representatives at each site in Canada, and improved planning and communication are already registered.



The BrainSafe model distinguishes between controllable and non-controllable elements. Our global training has focused on "my life" - the elements that every person can control and/or influence.

We work systematically through guidelines and procedures to mitigate and respond to work-related injuries, occupational health issues, accidents and fatalities. We measure our progress in the area of safety through the key indicators lost-time incidents (LTI) per million hours worked, as well as the rate of absenteeism. LTIs are reported in three categories of seriousness - low, medium and high, and are reported both for our employees and for subcontractors. All incidents are analysed for cause and for potential learning, and a report with action points to avoid similar incidents is shared through the HSE network. We take preventive measures where possible to counteract these risks. Safety targets are included in the bonus agreements for all senior managers.



*"In the 40+ training workshops, our teams displayed great determination in taking safety to the next level. This included many of our sites strengthening emergency response plans, updating training materials for new employees and improving how we communicate safety on a regular basis at our sites. The workshops were very rewarding and a true opportunity as a facilitator to help provide assistance, resources and joining our sites in their new identified safety challenges and promote everyone going home safe....every single day."*

Blaine Tremblay  
Health & Safety Manager Mowi Canada West

Central or local HR ensure health and safety topics are included in formal agreements (working hours and shifts, for example). At Mowi Norway, health and safety topics are covered during HSE network meetings where main representatives from trade unions participate. It is our responsibility as a company to follow up on the local regulations on preventive work regarding health and safety. In Mowi Norway every region has safety representatives and agreements with external occupational health care.

The main categories of injuries in our operations are cuts, pinches, impacts, compression, slips, trips and falls. In our farming operations, underwater diving represents the most serious hazard. To ensure diver safety, our divers must complete a diving project plan detailing the purpose of the dive, evidence of employer liability insurance, a hazard/risk assessment and the suitability of the equipment to be used. They must also be suitably qualified and experienced, provide diving certification, log books, medical certificates and first aid certificates.

We have established a number of initiatives, including a stress-management program, in an effort to reduce the level of absenteeism, in particular at our processing plants. Our efforts also include systematic competence development, job rotation and alternative work schemes where appropriate.

We share best practices through our global health and safety network, where meetings are held regularly to ensure a common understanding of key-figure reporting and to benchmark and follow up on key indicators. Some of our business units have taken a step further. Mowi Chile, for example, has certified its health and safety (H&S) management system through DNV. Mowi Chile has also launched a development program co-funded by the government, with the goal of harmonizing its H&S management system with key suppliers.



### 2018 RESULTS

The majority of our employees have attended training in our global safety program, BrainSafe. LTIs measured per million hours worked came to 5.2 for the Group in 2018, compared to 6.6 in 2017. It is difficult to say to what extent BrainSafe has affected LTIs and the rate of absenteeism, but it is quite clear that it has led to a more proactive approach and correct reporting to incidents and injuries. We are convinced that BrainSafe has, and will continue to have, a positive effect on our key indicators.

We reported 134 LTIs for our own employees in 2018, compared to 155 in 2017. This is a trend we hope to continue. Mowi Fish Feed has had more than three years without LTIs, and has run BrainSafe training courses on a regular basis. The results have continuously been improving in Mopol over the last years, with a reduction of 18% in rolling LTI since 2017. For subcontractors we recorded 9 incidents, remaining the same as last year, with the main causes of injuries being cuts, pinches, trips and falls.

Our rate of absenteeism has slowly but steady decreased over the past years, from 5.7% in 2016 to 5.2% in 2017, to 5.0% in 2018. This represents a positive trend we aim to maintain for the years to come, and implies that we are slowly approaching our 4% goal. The rate of absenteeism is higher in value-added processing operations than in farming and feed, which is largely attributable to ergonomic issues and stress.

### PRIORITIES GOING FORWARD

We will continue our efforts to build a strong health and safety culture, with BrainSafe as an integral part of the way we operate. The requirement for all new employees to attend BrainSafe training sessions as well as providing training to selected contractors and suppliers will remain in the future. BrainSafe materials are made available to all employees, and refresher courses and workshops will continue to be held to reinforce and sustain the lessons learned during initial training.

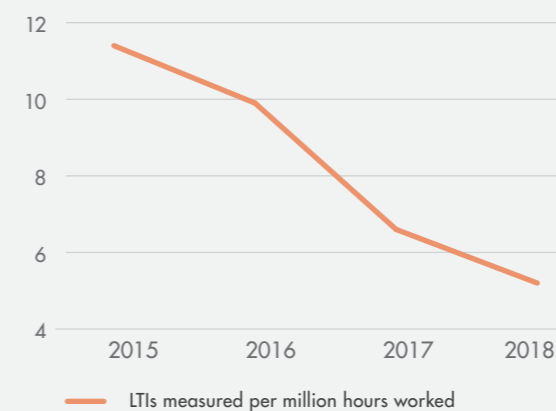
Our ambition to achieve a rate of absenteeism of below 4% remains unchanged, as does the target of zero LTIs. We believe that our systematic approach to safety will contribute to a safer workplace and will reduce LTIs and absenteeism going forward.



*"We must at all cost prevent accidents from happening. Reflect upon MyLife at the start of our day and remind ourselves never to take short cuts. Learn to live Safety First like the air we breathe which is so natural."*

Foong Leng Lo  
HR Director Asia

### Positive development in LTI



## Commitment to local communities

### THE OPPORTUNITY

For Mowi to thrive, the local communities in which we operate must thrive. By offering support to communities, as well as employment opportunities, we hope to make a positive impact wherever we operate.

### OUR EFFORTS

While formal commitments, like the ASC standard, require us to engage with local communities about our farming operations, we ensure social responsibility, ethical behaviour and sustainability are at the heart of our corporate culture.

We aim to maintain good relations with the local communities in which we operate, and we are committed to helping in their development by supporting local schools, sports and cultural initiatives. We also hope to help young people become good citizens, who give back to their local communities and thereby build a circle of progress in the area. Our social contribution is broader in Chile, with the focus on community projects in which we work even more closely with communities to promote and improve the quality of life.

In Canada, our company engages directly with Indigenous governments to discuss our operations and seek partnership agreements. Mowi Canada West's aquaculture operations are located within the traditional territories of First Nations people. The relationship with Indigenous culture is important to our business and is based on economic, social, environmental, cultural and legal considerations. About

one-fifth of Mowi Canada West's workforce is of Indigenous heritage, as are many services providers.

As a company we highly emphasize efforts to prevent any negative impacts our operations might have on surrounding communities.

### 2018 RESULTS

The bulk of our financial support in Norway is channeled through our Mowi Fund. The purpose of the fund is to offer financial support to voluntary organisations and activities within sports and culture, particularly those aimed at young people, which all contribute to the vibrancy of our local communities.

In Belgium, Happy@Work is an initiative by a group of employees of Mowi Pieters in Bruges in 2015, who joined forces in order to improve the well-being and job satisfaction of all colleagues. The Happy@Work team members engage to participate in regular team meetings, to propose and discuss initiatives for as large target groups as possible, to act as ambassadors, to actively participate in initiatives themselves and to encourage and engage colleagues to take part.

In 2018, a large group of employees participated in a walk to raise money for SOS Children's Villages, a charity which strives to ensure children grow up in a nurturing family environment. The chosen charity of the year was the trauma helicopter of the Medical Urgency Group (MUG) of the Bruges hospital. A culmination of fundraising events led by employees - running a marathon, baking and selling



Chile farm tours.



Shinty Youth Sponsorship in Scotland.

(Photo: Camanachd Association)



Poland Christmas gifts.



Salmon BBQ Canada West.

(Photo: Cori Wheeler)

cookies and shrimp croquettes, cycling >600km from home in The Netherlands to work in Bruges (and back!), a bingo - raised a total of €7,500 for MUG.

In Scotland, the company has been a major supporter of shinty for 31 years - a significant commitment over the sport's 125 year history. Resembling a mix of hockey and lacrosse, shinty is played on a grass pitch, with a caman (curved stick), leather ball, with up to 12 very tough and athletic men or women. In addition to our annual title sponsorship of shinty's Camanachd Association, 2018 saw further support of the Mowi Young Persons Development Fund: providing development opportunities for players, coaches and referees which will help increase shinty's profile and improve accessibility for youth in the community.

Canada West and its popular salmon barbecue have been busy each summer cooking and raising vital funds for dozens of local charities annually. After feeding over 3000 hungry customers at 12 community events on Vancouver Island in 2018, the company has raised \$168,000 (CAD) over the past eight summers. Providing funding for sporting clubs and salmon conservation groups also remains a key priority.

Chilean employees, together with the Municipality of Calbuco and the community of Huar Island, located 20 km from Puerto Montt, have developed a joint project to solve the historical problem of household waste disposal for its 1200 inhabitants. Mowi provides the maritime transport of the municipality's garbage removal truck after collecting

garbage throughout the island. Many Mowi families benefit from this service as the company has three site licenses adjacent to the island.

The annual charity 5K fun run (or walk!) in Ireland continues to raise funds for deserving local charities. The annual run raised a total of €8,650.00 in 2018 for the Irish Kidney Association, between sponsorship raised at the event, and monies collected by the McCrory family which were matched by Mowi. This year's chosen charity was close the hearts of a few Mowi employees, as recently some staff members and immediate families have used this hugely important life-saving transplant organisation.

Supreme Salmon and Taipei Children Welfare Center partnered for a Christmas Eve charity event in Taiwan, and in the United States, a pedal bike donation to the Town of Medley Afterschool Children's Program went to benefit children in the region who are less fortunate.

### PRIORITIES GOING FORWARD

In those areas in which we operate, we will continue our efforts to support local projects, both financially and socially. Going forward, we plan to develop a more systematic approach to collecting data about our community engagement.



## Mowi Poland

# Best employer in the region

In 2018 Mowi Poland S.A. was granted the “best employer in the region” award by a local newspaper in a competition which highlighted the best Pomeranian products, services and companies.



This honour had been granted to Mowi by 2064 newspaper readers who voted by text messages. Adding to the compliment, Mowi was also chosen as the best employer by the jury of the competition, which included representatives of business community, business support institutions and universities.

Speaking on behalf of the Polish team, Agnieszka Kosmala, HR Director Mowi Central Europe stated “We owe this award to the consistent work by all to create a work environment that ensures the development of employees, that takes care of their health and safety, and provides opportunities for learning and growth.”

The official award presentation took place at the company’s facility in Duninowo. Krzysztof Nalecz, editor-in-chief of Głos Dziennik Pomorza, presented the award to Ola Bratvoll (COO Global Sales & Marketing Mowi), and Teis Knudsen and John-Paul McGinley, members of the Board of Mowi Poland S.A.

*We owe this award to the consistent work by all to create a work environment that ensures the development of employees, that takes care of their health and safety, and provides opportunities for learning and growth.*

Agnieszka Kosmala,  
HR Director Mowi Central Europe

## Mowi Canada East

# Local talent reconnecting and flourishing

With combined human capital from two legacy companies, the time is right to start fresh with Mowi Canada East.

When the announcement came July 2018 that Mowi had purchased Northern Harvest, it sparked what could be described as a homecoming for some, and a homestay for other talented fish farmers. Over the year, experienced veterans from both companies combined forces to provide the new Mowi company a very strong start.

### A Fresh Start

Jamie Gaskill, Managing Director at Mowi Canada East and recent MBA graduate, points to the tangible benefits of this well-timed acquisition and new brand. “The timing for Mowi could not be better,” said Jamie. “As Northern Harvest and Mowi integrate to become Mowi, in a way, it’s a fresh start for all and the potential to have a real 1+1 = 3.”

For Dean Guest, a 34-year salmon farming veteran and now Freshwater Director, the opportunity to continue his career on Canada’s beautiful east coast was a perfect opportunity. “With nine years learning new skills and overcoming different fish-growing challenges in British Columbia, I felt the time was right to return to the east coast and help realise the exciting business growth opportunity here. Our family was really happy to return after so many years away from home.”

For Michael Atkinson, Finance Director, moving from Northern Harvest to Mowi and being given the opportunity to remain home and be a part of an initiative that will see major investment into local communities is



Dean Guest with family.

*“My children can continue to school here, and quite possibly have jobs near their home too.”*

Michael Atkinson, Finance Director,  
Mowi Canada East

“ideal”. “I have never wanted to move away from this place, so it’s great that our region is benefiting from the additional jobs and capital investment of the new Mowi company. My children can continue to school here, and quite possibly have jobs near their home too.”

### Close-Knit Families

The combined talent and knowledge from both companies compliment each other very well, says Jamie.

“The local knowhow concerning weather, farming, culture, community and politics is essential and valued. And it’s because of this knowledge base that Northern Harvest was a functioning, profitable, and successful

operation. Team members coming from Mowi’s operations in British Columbia (there is 5000 kilometres between the two coasts) can share best practices, which include its values, leadership principles and better leverage of the global company’s depth of knowledge in order to optimize, expand, and improve local operations.”

While a close-knit family feel is naturally part of Canada’s east coast culture, Jamie adds, the region’s place on the Mowi globe is adding to this unity. “The time zone and location alone (the midway point between British Columbia and Europe) has a uniting and sharing effect between once-distant business units. Our central location also helps to take advantage of staff exchanges around the globe, thus improving not only communication but physical operations.”



## Mowi Canada West

# At the forefront of Indigenous reconciliation

In Canada, reconciliation with Indigenous Peoples has become a growing focus for all levels of government, and for many of us in society. Indigenous Peoples in Canada refers to First Nations, Inuit and Metis, who were the original inhabitants of the land.

By Dr. Diane Morrison, Managing Director, Mowi Canada West

In British Columbia, a distinct turning point in the relationship between the natural resource sector and Indigenous Peoples was reached in December 2018. For the first time, First Nations leadership was given equal standing in a government-to-government decision making process with the Province of British Columbia (B.C.). This milestone was specific to the lease renewals for salmon farm in a remote coastal region known as the Broughton Archipelago. About 70% of the sea sites in the area have been held by Mowi Canada West for the past 30 years. Sea sites are not owned by the farming companies in B.C., but are leased from the provincial government. The most recent five-year term expired on June 20th, 2018.

At the time that the five-year term expired, the B.C. government announced it would divert from the process laid out in Canadian law requiring consultation with Indigenous Peoples regarding resource development on their traditional lands. The government, taking office in July 2017 and led by Premier John Horgan, instead committed to fully implement the United Nations Declaration on the Rights of Indigenous Peoples - a declaration endorsed by most countries in the world. Premier Horgan vowed to move it forward in B.C. despite the concern with UNDRIP's statement that resource development requires the "free, prior and informed" consent of Indigenous land-owners, commenting, "I don't dismiss the concern, but I strongly believe that adoption of UNDRIP's standards represents

Dr. Diane Morrison (second from left) with Indigenous and BC Government leaders in Vancouver, Canada.



The late Percy Starr, Kitasoo/Xai'xais First Nation elder and Order of Canada recipient, invited Mowi to partner with his Nation in 1998.

(Photo: Aquaculture North America)

a tremendous opportunity to change how land and resource decision making is done in B.C. in a way that will benefit everyone. Properly implemented, UNDRIP offers an opportunity to replace conflict on the land with co-operation, to make real progress toward reconciliation."

Canada's Prime Minister, Justin Trudeau, elected in November 2015, has also made a number of commitments regarding how his government would change Canada's relationship with Indigenous Peoples, stating, "No relationship is more important to Canada than the one with Indigenous Peoples."

On June 20th, 2018, the B.C. government announced a "new approach to salmon farms". That is, after June 2022, a salmon farming company would be required to have agreements with Indigenous governments before the Province would consider renewing an expired lease.

A week later, on June 27th, B.C. government announced that it had signed a Letter of Understanding with three Broughton area First Nation governments regarding how they would be involved in making the decisions regarding the now expired Broughton area sea sites.

*Salmon farming will continue in the Broughton area for at least the next five years, and with this government-led process, Mowi has a framework for continued dialogue, and for Indigenous oversight and monitoring of our operations. I believe this process will begin to build the trust required between our business and the local First Nation communities where we operate. I am proud to work for a company that has the opportunity to play a crucial role in reconciliation with Indigenous peoples. It's good for business, and it's good for Canada.*

John Horgan  
Premier of British Columbia

Working closely with First Nations is not new to the Mowi business unit in B.C. The company has signed socio-economic agreements with 15 First Nation governments dating back to the 1990's - close to 75% of the total annual production is covered under these agreements. Many of the people who work for Mowi in B.C. are of Indigenous descent and we have had long standing business relationships with many Indigenous-owned businesses.

This brings us back to the Broughton area. The decision announced on June 27th, to establish joint decision making between B.C. and First Nation governments created a forum for discussion, in which Mowi had the opportunity to participate. We met with First Nation leaders and provincial government representatives many times over six months, and on December 14th the B.C. Government announced its decision, which was supported by First Nations, the Government of Canada and the salmon farming companies Mowi and Cermaq. In announcing the decision, Premier Horgan said, "I believe we have set, in this discussion, a path forward not just for the Nations in the Broughton, but for Indigenous communities right across British Columbia".



James Walkus Fishing Company's fleet of vessels has transported salmon for Mowi for 20 years (Photo: BC Salmon Farmers Association)



## The Group management team



**Alf-Helge Aarskog** (1967)  
**Chief Executive Officer**

Mr. Aarskog has served as CEO of Mowi since 2010.

Number of shares held  
at year end: 39 027

Number of options allotted  
at year end: 1 836 482

Mr. Aarskog has broad experience in the seafood industry:

- CEO of Lerøy Seafood Group ASA, 2009–2010
- Executive Vice President of Lerøy Seafood Group ASA, 2007–2009
- Managing Director of Lerøy Midnor AS, 2004–2007
- Head of Production at Fjord Seafood ASA, 2002–2004
- Various positions at Felleskjøpet Fiskefôr AS, Frøya Holding, Hydro Seafood and Atlantic Salmon of Maine, until 2002

Mr. Aarskog holds a Master in Aquaculture from the Norwegian University of Life Sciences.



**Ivan Vindheim** (1971)  
**Chief Financial Officer**

Mr. Vindheim joined Mowi as CFO in 2012.

Number of shares held  
at year end: 1 117

Number of options allotted  
at year end: 459 978

Mr. Vindheim has experience from various executive positions:

- CFO of Lerøy Seafood Group, 2008–2012
- Vice President of Finance at Rolls-Royce, 2005–2008
- Senior Manager within auditing and corporate finance at Deloitte, 1996–2005

Mr. Vindheim holds an MSc in Business and an MBA from the Norwegian School of Economics. He is also a State Authorized Public Accountant and Certified European Financial Analyst.



**Per-Roar Gjerde** (1967)  
**Chief Operating Officer Farming**

Mr. Gjerde has served as COO Farming globally since November 2018.

Number of shares held  
at year end: 780

Number of options allotted  
at year end: 334 984

Mr. Gjerde has extensive experience within salmon farming and sales:

- COO Farming Norway and Chile, January 2017–October 2018
- Managing Director of Mowi Chile, 2016–2017
- Director of Region West in Mowi Norway AS, 2007–2016
- Controller at Fjord Seafood Norway, 2002–2007
- Financial adviser at Sparebanken Vest, 1996–2002
- Sales at Domstein Salmon, 1994–1996

Mr. Gjerde is a graduate of the Norwegian School of Economics.

## The Group management team



**Ola Brattvoll** (1968)  
**Chief Operating Officer  
Sales and Marketing**

Mr. Brattvoll has served as the COO of Mowi's Sales & Marketing Business Area since 2010.

Number of shares held  
at year end: 9 688

Number of options allotted  
at year end: 459 978

Mr. Brattvoll has comprehensive experience within sales and marketing:

- Vice President at Hallvard Lerøy AS, 2010
- Market Director at Hallvard Lerøy AS, 2008–2010
- Market Director Japan at Hallvard Lerøy AS, 2006–2008
- Head of the Norwegian Seafood Export Council's Tokyo office, 2002–2006
- Market Manager at the Norwegian Seafood Export Council's head office, 1995–2002

Mr. Brattvoll holds a degree in fisheries from the Norwegian College of Fishery Science, University of Tromsø.



**Glenn Flanders** (1970)  
**Chief Strategy Officer**

Mr. Flanders joined Mowi as Chief Strategy Officer in 2016.

Number of shares held  
at year end: 457

Number of options allotted  
at year end: 25 699

Mr. Flanders has more than 20 years of business experience including consultancy, finance and executive management in aquaculture:

- Co-Managing Partner of Cuna del Mar LP, 2010–2016
- President of Compass Consulting Inc., 2004–2010
- Manager of Finance in Fjord Seafood USA, 2001–2004
- Assistant Controller and Senior Financial Analyst at Atlantic Salmon of Maine and ContiSea LLC, 1998–2001

Mr. Flanders holds a BSc in Accounting from University of Southern Maine.



**Ben Hadfield** (1976)  
**Chief Operating Officer  
Fish Feed**

Mr. Hadfield has been the COO of Mowi's Fish Feed Business Area since 2013. Mr. Hadfield has also been Managing Director of Mowi Scotland since January 2016.

Number of shares held  
at year end: 7 327

Number of options allotted  
at year end: 459 978

Mr. Hadfield has considerable experience within farming:

- Technical Chair of the Scottish Salmon Producers' Organisation, 2012–2013
- Production Manager at Mowi Scotland, 2007–2013
- Technical & HSEQ Manager at Mowi Scotland, 2004–2007
- Environmental Manager at Mowi Scotland, 2000–2004

Mr. Hadfield holds a BSc in Environmental Geoscience from the University of Sheffield and an MSc in Pollution Control and Environmental Management from the University of Manchester.



**Anne Lorgen Riise** (1971)  
**Group Director HR**

Ms. Riise joined Mowi as Group Director of Human Resources in 2012.

Number of shares held  
at year end: 815

Number of options allotted  
at year end: 25 699

Ms. Riise has held various HR positions and also practiced as a lawyer:

- VP HR Europe and General Counsel for Ceragon (Nera) Networks, 2007–2012
- Lawyer at Lawfirm Alfheim & Hansen, 2004–2007
- Advisor at the Norwegian Ministry of Foreign Affairs, 2000–2002

Ms. Riise holds a master's degree in law from the University of Bergen and Oxford Brookes University.



**Øyvind Oaland** (1970)  
**Chief Technology Officer /  
Head of Global R&D**

Mr. Oaland has served as Mowi's Global Director for Research and Development since 2008.

Number of shares held  
at year end: 4 845

Number of options allotted  
at year end: 25 699

Mr. Oaland has held various positions within fish health, food safety and quality within Mowi and also holds various board positions in the industry:

- Chair of the Board of the Centre for Aquaculture Competence (CAC), since 2014
- Deputy Board Member of the Norwegian Seafood Research Fund (FHF), since 2014
- Vice President Food Safety & Quality at Mowi ASA, 2005–2008
- Fish Health and Quality Manager at Mowi Norway 2002–2005
- Fish Health Manager at Mowi Norway, 2000–2002

Mr. Oaland holds a degree in veterinary medicine from the Norwegian School of Veterinary Science.



**Kristine  
Gramstad Wedler** (1978)  
**Chief Communications Officer**

Ms. Gramstad joined Mowi as Chief Communications Officer in 2013.

Number of shares held  
at year end: 593

Number of options allotted  
at year end: 0

Ms. Gramstad has various political experience:

- State Secretary in the Norwegian Ministry of Fisheries and Coastal Affairs, 2011–2013
- Labor Party Group Leader on Rogaland County Council, 2007–2011

Ms. Gramstad holds a master's degree in change management from the University of Stavanger and a bachelor's degree in European studies from the University of Oslo.

## NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES (FTE)		2018				2017			
		Permanent	Temp	3rd party	Total	Permanent	Temp	3rd party	Total
Fish Feed	Male	84	1	1	86	47	1	2	50
	Female	23	1	—	24	16	—	1	17
Farming Norway	Male	1 167	—	83	1 250	1 131	1	87	1 219
	Female	340	—	32	372	298	—	39	337
Farming Scotland	Male	619	41	5	665	628	15	5	648
	Female	81	6	—	87	81	3	1	85
Farming Canada	Male	783	3	16	802	488	—	—	488
	Female	204	4	19	227	107	—	—	107
Farming Chile	Male	649	57	213	919	547	89	169	805
	Female	253	22	45	320	242	35	30	307
Farming Ireland	Male	131	68	—	199	127	89	—	216
	Female	22	19	—	41	19	25	—	44
Farming Faroe Islands	Male	50	2	—	52	32	2	—	34
	Female	22	1	—	23	4	1	—	5
Farming	Male	3 399	171	317	3 888	2 952	196	261	3 410
	Female	922	52	96	1 070	750	64	70	885
Consumer Products	Male	2 671	46	796	3 513	2 428	152	626	3 206
	Female	2 941	39	799	3 779	2 997	159	556	3 712
Markets Europe	Male	105	2	7	113	98	1	8	106
	Female	52	1	—	53	51	—	2	53
Markets America	Male	195	—	133	328	160	1	139	300
	Female	110	—	229	339	112	—	184	296
Markets Asia	Male	518	90	39	647	478	107	2	587
	Female	473	115	48	636	405	131	11	547
Sales & Marketing	Male	3 489	136	975	4 600	3 164	261	775	4 200
	Female	3 576	155	1 076	4 807	3 565	290	752	4 607
Corporate/other	Male	36	—	5	41	37	—	4	41
	Female	19	—	2	21	21	—	2	23
Mowi Group	Male	7 008	308	1 298	8 615	6 200	459	1 042	7 701
	Female	4 541	207	1 174	5 922	4 353	354	825	5 532
Mowi Group	Total	11 549	516	2 472	14 537	10 553	813	1 867	13 233

The percentage of self-employed workers is not significant. Data are registered as part of our monthly reporting process and closely monitored by management. Sales & Marketing has the high season before the Christmas sale and Eastern sale, specially chilled operations. Our Farming and Feed operations have a more stable work season.

## KEY HEALTH AND SAFETY INDICATORS

Key indicators	2018	2017	2016	2015	2014	2013
LTI per million hours worked (own employees)	5.2	6.6	9.9	11.4	11.4	13.8
LTI own employees	134	155	247	280	250	180
LTI subcontractors	9	9	21	25	19	15
Absentee rate in % of total hours worked (own employees)	5.0%	5.2%	5.7%	4.8%	5.0%	4.8%
Fatalities	0	0	1	0	0	0

LTI grading	High (extremely dangerous situations/ occurrences)	Medium (moderately dangerous situations/ occurrences)	Low (situations/ occurrences that are not dangerous)
2018 (2017)	14 (18)	29 (43)	91 (94)

## SUPPORT TO LOCAL COMMUNITIES

Direct support to local communities (EUR thousand)	2018	2017
Norway	346.9	1 319.0
Canada	271.3	246.2
Scotland	263.8	211.0
Chile	52.4	51.2
USA	13.2	5.0
Ireland	51.0	40.0
<b>Total support to local communities</b>	<b>998.6</b>	<b>1 872.4</b>

The list covers the main countries or regions in which we operate. The figures include contributions to charities, various community projects and social programs.

Corporate taxes paid (EUR thousand)	2018	2017
Norway	72 779.9	113 059.3
Canada	13 394.8	38 124.5
Scotland	18 645.0	15 198.6
The Faroe Islands	1 927.7	6 355.8
Japan	2 334.5	2 677.3
Belgium	4 614.0	2 650.0
Ireland	3 050.0	2 482.0
Germany	2 229.4	1 999.1
Czech	(182.9)	1 725.8
Singapore	379.7	453.6
France	2 538.0	428.0
Netherlands	682.0	312.0
Italy	416.7	231.0
South Korea	657.8	126.6
USA	4 551.8	120.2
Taiwan	31.0	52.8
Vietnam	259.9	41.5
Sweden	20.3	(0.6)
China	1.9	(11.2)
Poland	2 800.1	(233.0)
Chile	(1 360.0)	(8 406.8)
<b>Total corporate taxes paid</b>	<b>129 771.5</b>	<b>177 386.4</b>

The list excludes countries where we are not in a tax position due to historic losses. The figures include tax paid, withholding tax and tax refunds.

# Innovation in the value chain – the sky is the limit



“Control of the entire value chain, from broodstock through feed, farming and processing to finished product on a global scale, gives us a unique opportunity to make targeted improvements at any level. With new digital technologies and Big Data analyses we will be able to measure how deliberate changes impact on our fish and ultimately our finished products. Few food producers, and no other salmon farmer, have such capabilities.”

**Øyvind Oaland,**  
Chief Technology Officer/ Head of Global R&D

**Mowi Breeding and Mowi Feed develops into leading centres of competence**

**Mowi Farming launches significant automation initiatives**

**The Mowi Cloud is under creation as we transition to industry 4.0**

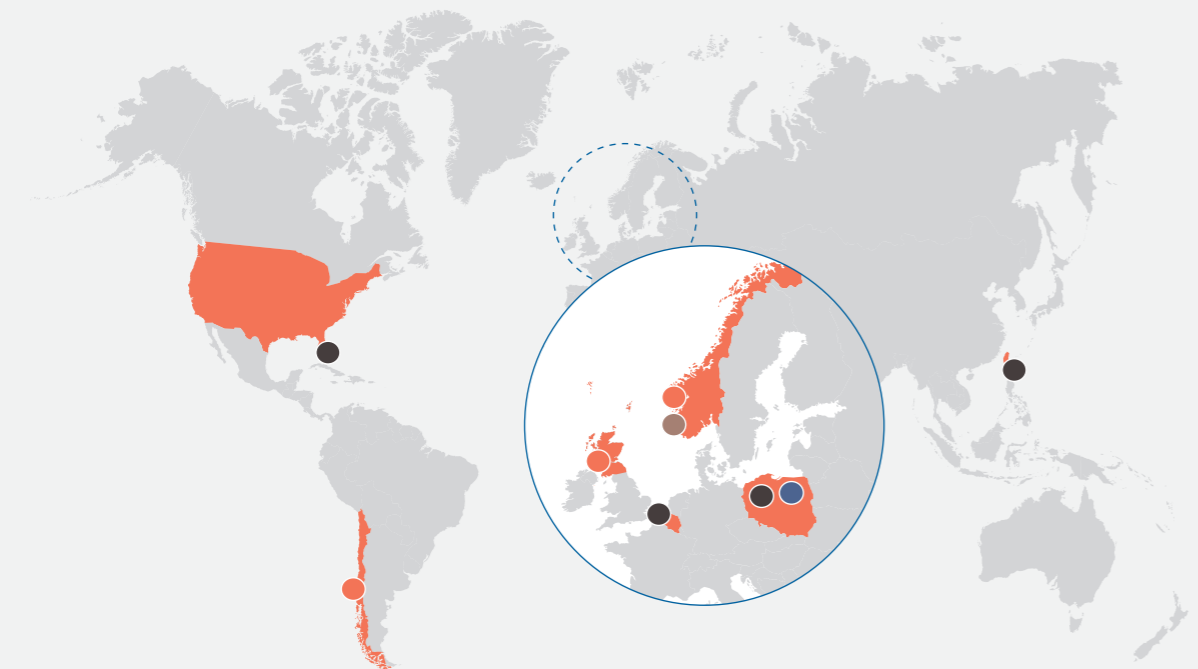
## RESEARCH & DEVELOPMENT



# RESEARCH & DEVELOPMENT

Ambitions	Main focus within R&D and Technical
Employ new farming systems	Develop and test new closed/ semi-closed production technology
Reduce losses at sea and achieve a 97% survival rate per generation	Monitor diseases and loss factors. Identify risk-factors and develop best practices for prevention and mitigation
Control sea lice mainly by non-medicinal means	Develop non-medicinal methods and approaches for sea lice control
Continue our ASC certification efforts	Develop necessary knowledge and practices to support ASC expansion
Eliminate limits on sustainable growth caused by the feed ingredients situation	Identify and implement safe and sustainable alternative feed ingredients
Maintain premium product quality and further reduce downgrading	Develop improved technological solutions for optimised processing, packaging and storage of our products
Maintain salmon's reputation, and further improve customer satisfaction	Secure and maintain good listeria control. Continue to ensure control of environmental contaminants in fish feed and end product.

## Our R&D facilities



- Feed/farming**
  - Norway/Mowi Feed Averøy
  - Norway/CAC
  - Scotland/Ardnish
  - Chile/Huenquillahue
- New product development**
  - USA
  - Belgium
  - Poland
  - Taiwan
- Farming technology**
  - Norway/Neptun
  - Norway/Blue Revolution Centre
  - Norway/development licences
- Processing equipment**
  - Poland/Morpol Technology

Last year, we spoke about the defining issues of the 21<sup>st</sup> century - those that require a generation or more to resolve - such as climate change, food security, hunger and life style diseases, and how we wholeheartedly believe that producing more food in the ocean will be an integral part of dealing with these global threats. Salmon is farmed at a low carbon footprint, space for farming the ocean is plentiful, and as far as animal protein goes - it's about as healthy as it gets. As we now transition from Marine Harvest to Mowi - from salmon farmer to food producer - we maintain in our company DNA a firm belief that investments in new knowledge and research will allow for sustainable increase in marine food production. Mowi will now utilize our full value chain, empowered by new and emerging technologies, to make significant strides to improve our production. It will enable us to produce more delicious food at a lower cost to the environment, and further to ensure that our employees and our fish thrive in their environments - producing the finest salmon, and even the best and most sustainable animal protein, in the world. There is no mismatch between making a quality product, and at the same time position the aquaculture industry in the driver seat to tackle global challenges - this is at the very core of our vision of Leading the Blue Revolution.

## How we innovate

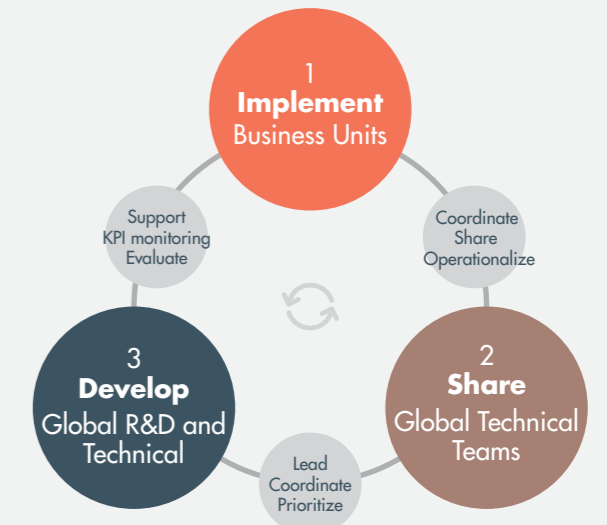
There is a clear goal behind all R&D efforts in Mowi - to enable increased production of sustainable, healthy and safe seafood. To fulfill our vision of Leading the Blue Revolution we aim to be industry leaders on R&D in each step of the value chain. This requires sustained financial commitment, a multitude of competencies and scientific expertise in several fields, and to determinately prioritize our efforts where substantial improvements can be made. It requires a strategy.

Our R&D strategy is regularly updated to reflect Mowi's long-term plan. It rests mainly on five key focus areas; fish welfare and robustness, footprint, new growth, production efficiency, and product quality and safety. For each key focus area, we have defined core R&D programs with corresponding targets. We use the strategy to guide resources towards R&D activities that will contribute to substantial improvements needed to increase and improve production. Our strategy also acts as a unifying document for the entire Mowi value chain, by aligning our priorities and expectations across the company. Since Mowi is a fully integrated food producer with our own breeding program and feed production as well as farming, processing and sales operations, these strategical key focus areas are multidisciplinary and sets the foundation for innovation within all Mowi units.

Mowi has rapidly built up world leading and dedicated R&D capacities within our breeding and feed units. Our R&D efforts in these core parts of the value chain, vested within our R&D strategy, play an essential role in keeping Mowi at the forefront of the Blue Revolution. By carefully choosing the genetic properties of our salmon, along with comprehensive tailoring of feed, Mowi unravels opportunities unlike other marine food producers. Read more in the chapters Progress of the Mowi Breeding Program and Opportunities in Mowi Feed.

## Organization

**Research and Development** in Mowi is organized in three levels in order to optimize knowledge sharing and drive continuous improvement



- 1 BUSINESS UNITS**
  - Identify and exploit continuous improvement opportunities
  - Implement best practices, R&D results, group policies, group requirements
  - Analyze current situation in operations
- 2 GLOBAL TECHNICAL TEAMS (GTT)**
  - Ensure competency and knowledge sharing across all Business Units
  - Represent the Business Unit in setting priorities and defining R&D needs
  - Ensure implementation and communication of competence and results generated from the GTTs to own Business Unit
- 3 GLOBAL R&D AND TECHNICAL DEPARTMENT**
  - Develop best practices, group policies and minimum standards
  - Run and coordinate research, development and innovation projects across all Business Units
  - Support Business Units with technical know-how
  - Lead and coordinate GTTs

# Roadmap

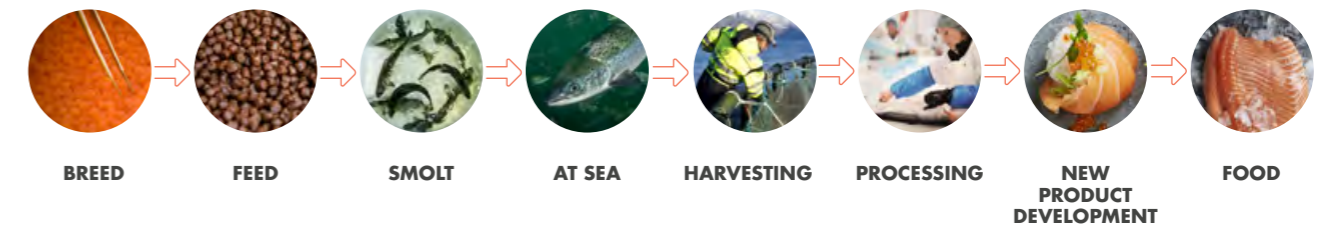
Selected high priority R&D programs for the different key focus areas. The overview does not include all R&D efforts and topics carried out in Mowi.

	2019	2020	2021	2022	2023
<b>New growth</b>	New feed raw materials	✓	Raw materials no limit for further growth		
	New farming systems		New on-growing farming technologies tested and documented		✓
<b>Fish welfare and robustness</b>	Controlling infectious diseases				✓ 99,5% monthly survival from sea transfer
	Production related disorders		Reduce prevalence and associated impacts		
	Barrier functions		Optimise barrier integrity and function (skin, gills, gut)		
	Smolt quality		Optimise smolt robustness and survival		
<b>Product quality and safety</b>	✓ Flesh pigmentation	Improve pigment efficiency			
	Melanin and bruises	✓	Melanin spots in salmon fillets reduced by >50%		
	Listeria and hygiene	✓	Solutions for listeria free production developed		
	Healthy and safe products		Ensure our products are documented healthy and safe		
<b>Footprint</b>	ASC implementation				100% of farms ASC certified
	Escape prevention				Zero escapes
	Sea lice control		No dependency on and limited discharge of medicines		
	Antibiotic use		Minimal use of antibiotics		
	Plastics management		Document and reduce impact on and from the environment		
<b>Production efficiency</b>	Feed efficiency and growth		Improved and more predictable bFCR and growth index		
	Biomass control	✓	Real time monitoring at accuracy >99%		
	Processing efficiency		Identify and develop systems that improve efficiency and reduce cost		
	Net solutions and antifouling strategies		Identify/develop best solutions		
	Farming technology/automation		Identify and develop systems and technology that improve efficiency and reduce cost		

Mowi also has the largest dedicated research unit in salmon farming. Our Global R&D and Technical Department, consisting of 18 technical experts in the areas of biology, technology, engineering, nutrition, genetics and veterinary medicine, has main responsibility for planning, coordinating and leading global R&D efforts in Mowi for and together with the operating units. They work directly with technical staff at all levels of the value chain, through participation in global technical teams and collaborative projects. This ensures that Mowi's R&D work constantly benefits from a culture of shared expertise, knowledge and practical application within operations. The efforts of this department are aimed at helping Mowi to achieve goals related

to sustainable commercial growth, operational performance and company reputation within the fields of fish health and welfare, feed and fish performance, food safety and product quality, environment and sustainability, and technology.

R&D expenditure in Mowi totaled EUR 43.9 million in 2018, compared to EUR 43.6 and 51.3 million in 2017 and 2016, respectively, demonstrating our continued commitment to knowledge creation and the advancement of the aquaculture industry. In addition, an annual fee of 0.3% of Mowi Norway's export value is paid to the Norwegian Seafood Research Fund (FHF).



## Value of the Value Chain

Mowi is the only salmon producer with operations in all major farming areas, and we hold internal control of our own genetics, feed, farming operations, harvesting, processing and logistics. This provides us opportunities that are difficult to match or copy. We gather data, experiences and production practices from a global operation, to benefit one common Mowi value chain. From an R&D perspective, our structure lets us easily act in common, aided by our unified R&D strategy. With full internal transparency in the breeding program, feed raw materials and recipes, farming conditions in fresh and seawater, harvesting and processing methods, any issue or desired improvement can be tackled with a multidisciplinary approach, like we do to optimise for example fish robustness or fillet quality. The consequence of our approach, i.e. the actual improvement or lack of such, can be traced from one level in the value chain to the next, and ultimately to the finished products. This allows us to innovate with a higher level of precision than our competitors.

range of trials testing different vaccines, fish-densities and rearing practices, in addition to our knowledge about the importance of zone structuration and pathogen-free harvest transport. Together, we have created the best opportunity to mitigate both bacterial and viral diseases, and thereby reduce mortalities and production costs. Similar multidisciplinary approaches are taken in pursuit of solutions to other challenges such as sealice, or to capitalize on opportunities such as optimizing fish quality and performance.

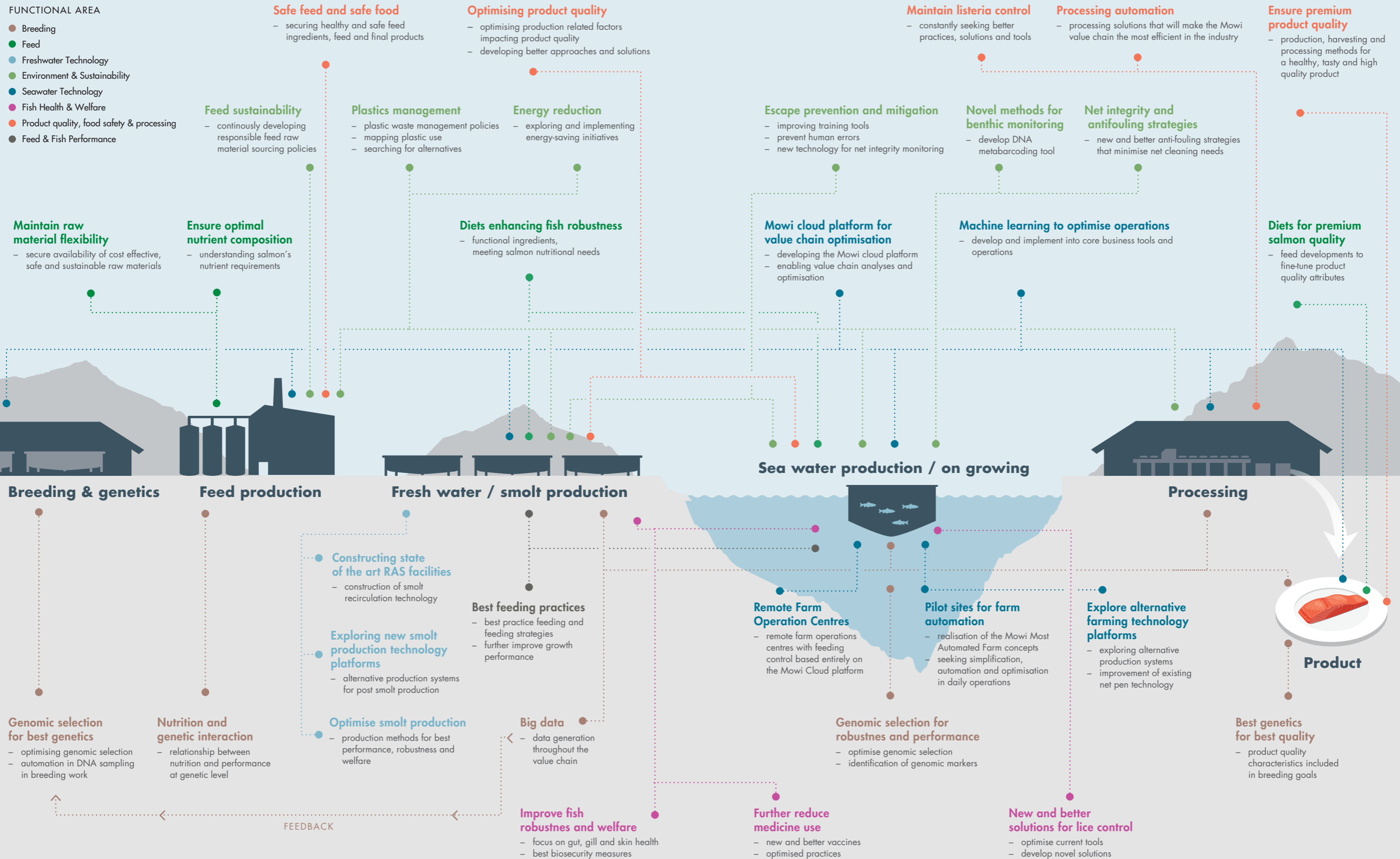
A salmon generation, from broodstock to finished product, takes about four years. This is one reason for the need to prioritize R&D efforts where we believe most value can be gained. However, by being an integrated salmon producer with access to the full value chain, a desired improvement can materialize at a faster rate, as we can work on the same topic at different stages of the salmon life cycle. For example, mitigation of marine diseases is a symphony of the value chain. We use our acquired knowledge about genetically determined disease resistance, and our data about the impact of feed properties on fish robustness, to produce the most resilient fish. This is coupled with novel information and exclusive results from a

Mowi's embrace of new digital technologies will become a significant R&D tool going forward. The key words are data availability, data quality and ultimately data resolution. Today, we readily track significant advances through the value chain, however to follow minute and step-wise progress is challenging even with control of each step in the chain. This is related to a general lack of standardization and high quality data of sufficient resolution, especially in traditional farming operations and processing. From 2018 onwards, Mowi is executing plans to leverage industrial Internet of Things (IoT) and start to equip "smarter" production and processing facilities, gathering in high resolution both existing and novel data from the production environment and the product itself. Machine learning techniques to gain insight from these new data lakes are being adapted to the Mowi value chain. Owing to emerging technologies, our R&D strategy can in the future expand, and combine the search for major impacts and game-changers with more continuous, smaller and step-wise advances discernible only by using new tools and higher resolution data. The value of the value chain is strengthened further as larger and more complete data sets become available from every operation unit and department.

# Innovation throughout the value chain

## FUNCTIONAL AREA

- Breeding
- Feed
- Freshwater Technology
- Environment & Sustainability
- Seawater Technology
- Fish Health & Welfare
- Product quality, food safety & processing
- Feed & Fish Performance







## Progress of the Mowi Breeding Program

One of our aims of 2018 was to implement an efficient system whereby all candidate broodstock are tagged and genotyped in order to perform 'genomic grading' on broodstock before transfer to sea. This grading is based on fish having 'good' Quantitative Trait Loci (QTLs) for important traits where such strong QTLs exist, such as for CMS, PD, IPN, pigmentation and maturation. The implications of this selection are that we are only transferring fish to sea as broodstock which have already passed a number of genetic 'tests', thereby rapidly increasing genetic progress for these traits and allowing for more selection potential for the other, more polygenic, traits such as sealice resistance. In 2018 this was performed on 150,000 parr and in 2019 this figure will increase to 200,000 parr. We are also involved in a project to develop and build an automated DNA-sampling device to cut down on time and personnel needed for this operation. With this machine we could significantly increase the number of juveniles tagged and graded before transfer, and improve the genetic progress in the breeding program.

2018 marked the first year where (autumn) smolts selected for CMS and sea lice resistance were available. This was the culmination of two years' research and trials on how to best measure these traits, and on how to best exploit the genetic variation in a selection program. For both traits, Mowi Breeding have settled on a strategy and protocol for running annual challenge tests with selected partners. This enables us to continue recording accurate phenotypes, which are the basis of our selection program. Our first family challenge with SAV2 has demonstrated a strong relationship between the two common virus subtypes causing Pancreas Disease (PD), SAV2 and SAV3, further cementing the necessity of continuing selection for PD resistance.

Measuring progress made in the breeding program is vital, and four benchmark trials were started in 2018; for Cardiomyopathy Syndrome (CMS), sealice and PD resistance, as well as an ongoing benchmark to document how the breeding program can strengthen our value chain, as well as comparing Mowi with other salmon strains. Results from these trials, available first quarter of 2019, will enable us to have a real estimate of the improvement in these traits from one generation of selection. New focus will also be placed on the role of genetics in nutritional uptake in juvenile and adult salmon, as a result of our involvement in the successful EU project application Aqua Impact (2019-2022). In this project we will, together with other institutes and companies, investigate DHA/EPA uptake mechanisms in different

genetic lines as well as 'nutritional programming' of juveniles and causes of downgrading related to genetics.

The genetics team have been working closer with the other BUs engaged in breeding, in particular Canada and Chile. From 2018, all genetic analyses and selection for each Mowi business unit (BU) will be done from the central genetics group in Norway. Mowi Chile will begin selection for Caligus and Salmon Rickettsial Septicaemia (SRS) resistance in 2019. Mowi Ireland performed a QTL selection for CMS in 2018 for the first time, demonstrating the power of this technology even when a BU is not operating a nucleus breeding program.

Overall in 2018, our strong focus on genomic and QTL selection has resulted in more disease tolerance traits being added to the breeding goal, vastly improved selection intensity and efficiency through genomic grading of juveniles and the extension of this technology to more traits like quality and maturation. The potential for Mowi Farming units is immense, considering the high cost of vaccines, or the lack of effective vaccines, against several viral diseases and also sealice. In 2019, we will see a further extension of this work along with benchmarking results for many traits, and greater involvement in the breeding programs of Mowi Chile and Canada.



## Opportunities in Mowi Feed

The guiding principle for salmon feed is that every single pellet must deliver 100% of what the fish needs, every day. Our aim therefore, is to produce robust, sustainable, high quality salmon using the widest available spectrum of raw materials in the most efficient way possible. With the imminent opening of our second feed factory, we have substantially increased our investment in feed development in terms of in-house physical and human resources, as well as extending our use of outsourced facilities and strengthening our research partnerships. As before, our focus in nutrition is to better understand the nutrient requirements of salmon and to better exploit the true value of our raw materials. During 2018 we also boosted our efforts in feed technology with a view to maximising yields and improving our process capability. Furthermore, in 2018 we made even greater efforts in supply-chain management and feed security / safety.

Regarding fundamental nutrition, 2018 / 2019 will be characterised by a strong focus on understanding the fundamental requirements of salmon for digestible protein (and its relationship to digestible energy) and alongside this, the role played by amino acids. Our focus

here will be to better understand the interplay between protein and energy requirements, fish size or age, and life-cycle stage and the seasonal cues that are implicit with farming in the sea. Trials carried out in 2018 also gave us valuable insight into the relationship between lipid nutrition and salmon quality and robustness. Projects in 2019 will build upon this knowledge with a view to developing a clearer understanding of the exploitation of marine-type fats by salmon. In these ways, we can be confident that we meet the changing needs of the growing fish without waste and without recourse to over-generous feed specifications. We consider factors that encourage net daily feed intake to fall within the scope of fundamental nutrition. Our program includes projects in which we explore the role of factors that encourage the rate at which nutrients are absorbed by the salmon. Additionally, we seek to encourage the appetite of our fish in those periods where appetite decreases dramatically e.g. post-seawater transfer where strong establishment of appetite is a key to achieving the best performance at harvest.

In terms of raw material development, we strive towards independence from specific raw material sources be they of marine origin or those derived from commodities including wheat, soya, maize, peas or beans etc. This will secure our cost competitiveness in the face of fluctuations in commodity markets and give us the power to catalyse change in the supply chain through our ability to switch between sustainable, responsible, solutions when circumstances dictate it. This, we achieve by deconstructing the features and benefits of our raw materials until we fully understand what they bring to the formulation in terms of available, cost-effective, nutrients and to the animal in terms of welfare and quality attributes. In seeking to expand our spectrum of available raw materials, we have already and will continue to evaluate some promising candidates including those derived as by- or co-products from other feed, food and even non-food industries. Within this scope, we include products derived from insects, alcohol fermentation, CO<sub>2</sub> capture and even forestry.

Mowi source raw materials from all over the world and take feed safety and sustainability extremely seriously. A dedicated team ensures that we only purchase approved ingredients from approved suppliers who, like us, are expected to live by our Code of Conduct. Our surveillance program carefully monitors the materials we buy to ensure that we don't receive goods that don't comply with our standards for integrity and safety. We expect our suppliers to be certified by globally recognised schemes e.g. IFFO RS, Pro Terra and GMP+ that uphold high standards for raw material sourcing, manufacture and transport. The opening of our new feed facility in Scotland in 2019 has already led to several new employees in the Quality and Feed Safety Team, and they bring considerable experience on the aquaculture / feed industry with them.

Part of our budget last year was used to secure and improve the efficiency of the manufacturing process in our current factory as well as testing the new products that we will offer when the Scottish factory opens. During 2018, we substantially increased our understanding of the feed manufacture technology through the recruitment of a dedicated feed technologist / process engineer and through investment in training for our operatives. This will provide a strong foundation for

our team when we take up the challenges of making feeds for salmon as they grow from some of the earliest stages in freshwater right up to their future as broodstock, in both organic and conventional production environments, in all our European operations.

Ultimately, Mowi is a global salmon farming company with the value of our company and our reputation being reliant on the performance and quality of the fish we grow. Feed plays a key role in value creation for Mowi and we take our cues from our colleagues in both Farming and Markets. Understanding and maximising the contribution of our feed to the quality of the salmon is an implicit part of Mowi Feed's R&D program.



## From Feed to Fish

Our world-class farming operation, having the best genetic background and a superior feed, make the Mowi value chain unique. Mowi Farming converts the work and R&D results of Mowi Breeding and Mowi Feed into the quality product, Mowi salmon. This conversion is rooted in hard earned knowledge and experience, aided and further developed by our significant R&D effort in our farming operation, supported in a large extent by the Mowi Global R&D and Technical Department. In 2018, substantial tasks have been undertaken to close important knowledge gaps in both freshwater and seawater farming operations, and further setting the foundation for an anticipated reduction in seawater mortality, and a leap in production efficiency.

In 2018, Mowi freshwater farming operations and R&D and Technical department, have worked a lot with refining and optimising global best practice recommendations for design and operation in Recirculation Aquaculture Systems (RAS), upon which the majority of our smolt production soon will be based. Broad in-depth analyses and internal sharing of learnings from start-up and early operation at several large RAS facilities have been an important activity, and the newly established Global Technical Team (GTT) for freshwater farming have importantly decided to relinquish the use of brackish water in RAS smolt production to reduce operational risk. The RAS technology is still young, and to close knowledge gaps we continued to invest R&D resources in the SFI CtrlAqua research platform and other focused projects aiming to develop a complete overview of risks associated with RAS systems, and sound measures for risk mitigation. Our R&D teams will use this knowledge to shape and optimise best practice recommendations for design and operation of RAS facilities. Considering the significant effort being spent on

R&D to support operational excellence, we are very satisfied with the increase in our global smolt production capacity by finishing building RAS Fjæra and Inchmore, whilst RAS Sandøra in Norway and RAS PFA in Chile also started construction during 2018. In the area of semi-closed production technologies (S-CCS) we are extending our strong focus on post-smolt production in the Neptune tank, where we are now progressing our large-scale trials to the level needed for commercial viability, after the successful optimisation of water hydraulics achieved in 2018. Important areas for 2019 will be targeted towards improving and securing smolt numbers and quality, alongside proceeding with testing of S-CCS in commercially relevant scale.

In our seawater farming operation we must deal with a broad range of challenges, but it is also an area where great opportunities to achieve progress can be found. Sealice and marine diseases remain the main issues during the seawater production cycle. Our large-scale R&D efforts to close knowledge gaps on marine diseases cover all major loss factors, albeit with a special emphasis on viral and gill diseases. We have several large-scale investigations ongoing to expand our knowledge about transmission routes and dynamics of Piscine Myocarditis virus (PMCV) and disclosing risk factors for the associated disease Cardiomyopathy Syndrome (CMS). With regards to Pancreas Disease (PD) and its causative agent Salmonid Alpha Virus (SAV), we are running numerous vaccine benchmarking studies to examine effectiveness and side-effects in seawater. A joint project with the Norwegian Veterinary Institute has been initiated looking into Salmon Pox Virus (SPV) transmission routes and dynamics, and yet another major multidisciplinary project documenting development in gill condition through the production cycle and identifying major risk factors for gill disease and related losses in sea ("GillRisk").

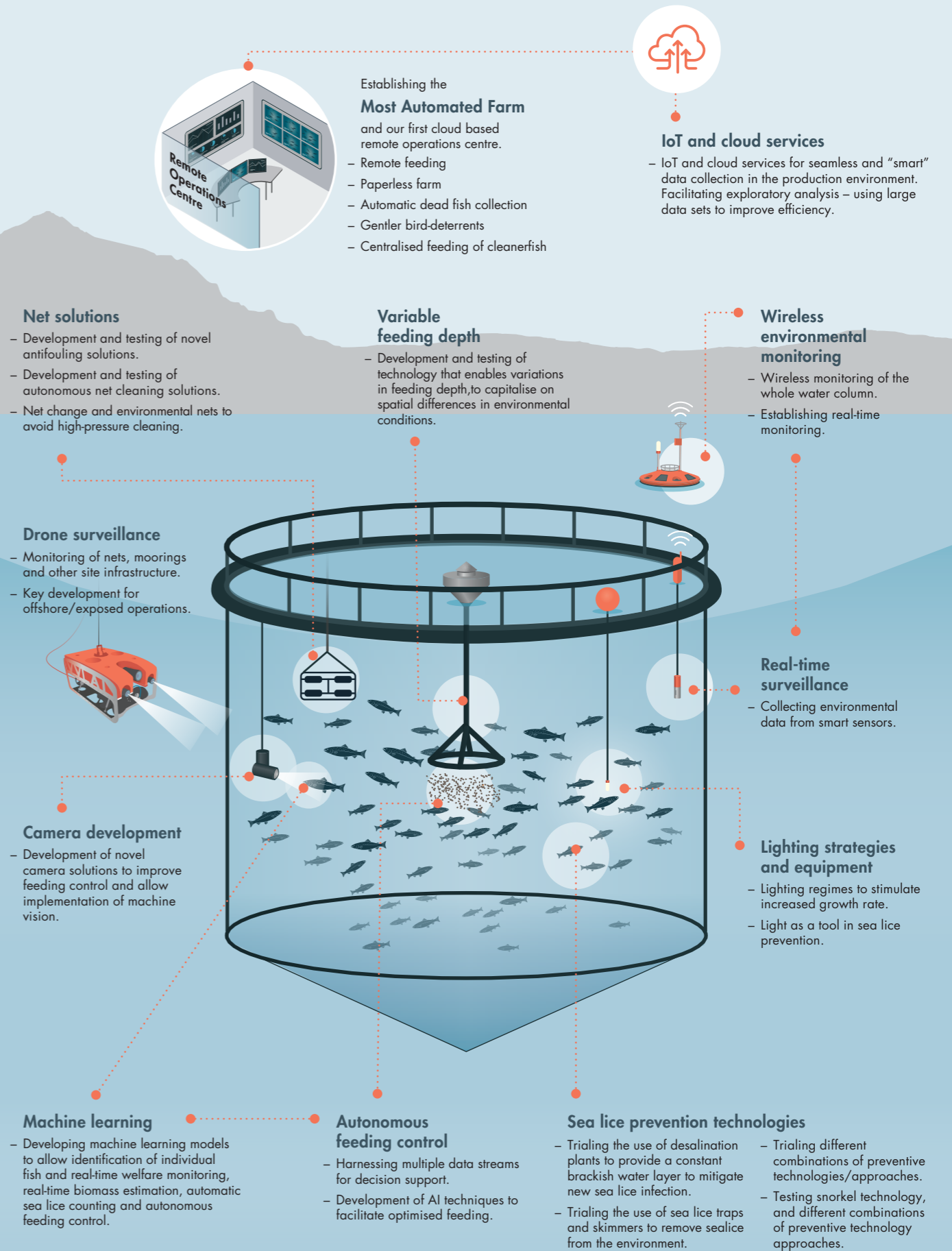
**Sandøra, Northern Norway**



The main parts of our R&D portfolio are as such concentrated on viral diseases, however the most groundbreaking advance has been achieved in Mowi Chile, documented through extensive field benchmarking trials with a new vaccine against Salmonid Rickettsial Septicaemia (SRS). Vaccinated fish have shown significantly lower mortality in mix and mark studies, and antibiotic use is on the decline in Mowi Chile as a result of targeted R&D maintained over time. Read more about this success story in the chapter Fish Health and Welfare and Medicine Use in the Planet section.

Sea lice remain our most prudent challenge in most farming regions, limiting volume growth in Mowi Norway and increasing production cost related to its management (for example, cleanerfish and increased use of wellboats). Control of *Lepeophtheirus salmonis* was in 2018 almost exclusively based on non-medicinal methods, especially in our European business units. In 2018, Mowi Chile also advanced large-scale testing and documentation to implement freshwater treatment in wellboats and tarpaulins as the first non-medicinal delousing alternative for *Caligus rogercresseyi*. As the golden standard for lice control remains to be discovered, Mowi Farming divisions in collaboration with our Global R&D and Technical Department continued to test different preventive concepts in lice mitigation throughout 2018, with large projects carried out based on a range of integrated pest management (IPM) strategies. We have in 2018 also performed the second validation of the Mowi lice strategy, founded upon continuous control and single pen intervention with a reduced trigger level for adult females. Again, our evaluations show the value of maintaining a low lice pressure on our sites, adding further to our positive experiences from 2016 and 2017. The lice strategy remains as a core pillar in our global lice mitigation strategy.

# Innovation on net pens



The Lice Action Team (LAT) maintained its high activity throughout 2018, by testing and documenting different IPM strategies and optimising or further developing the different concepts for non-medicinal delousing of salmon. To reduce handling of fish, the LAT team are also working diligently to develop and establish viable solutions for passive lice control without the need to handle and pump fish, work that will continue with increased focus in 2019.

In last years' report, we also emphasised our strong commitment to further developing and optimising farming practices in open net pens, as our best and most cost effective production system. Herein lies great opportunities to use new technology to modify farming best practice, increased production efficiency and cost reductions. We are excited to share that 2018 has seen great development in terms of moving away from high-pressure cleaning of nets, with immense benefit the health of our salmon. New coating solutions for nylon nets have been tested and commercialised with Mowi in a key development role, and several promising methods for in-situ prevention of biofouling in HDPE nets have been under rigorous field testing. Mowi Scotland have developed and launched the concept named EnviroNets for use on larger ring pens - a concept where rotation of nets are used to achieve control of net fouling without biocides. Furthermore, our operations in Mowi Norway have experienced great success with implementing a practice of net changing rather than net cleaning. Testing of autonomous cleaning equipment has also been ongoing in 2018. We are currently getting ready to launch new global best practice recommendations for net hygiene based on the knowledge created in 2018, and expect significant cost reductions derived from this comprehensive R&D effort.

Another major ongoing development is the creation of the Most Automated Farms (MAFs) and related Remote Operations projects in Mowi Norway. MAF is a phased approach to assemble the open pen production platform of the future, primed for further and ultimately complete rollout throughout Mowi Farming. The MAF phase 1 scope is concentrated around simplifying daily tasks by way of automation. Projects revolve around developing and implementing solutions to create a paperless working environment as a step in our digitalisation process; to utilise drone technology for improved sub-surface surveillance and as deterrent for birds and other scavengers so that costly accessories can be removed from our pens, in addition to centralisation of dead fish handling, cleanerfish feeding and cleanerfish accessory management. Furthermore, a major part of the MAF project entails the establishment of the Mowi standard of Remote Operations centers, where a complete service provision - covering fish feeding, site monitoring (environment and infrastructure), fish health support and remote maintenance support - will be given to clusters of seawater farms. This approach leverages in full the opportunities brought about by ongoing development of the Mowi Cloud (see the section Bringing it all together), and expands the notion of Remote Operations far beyond that of remote feeding as a sole service as is the common approach employed by our competitors. MAF Phase 2 and 3 will undergo detailed planning in 2019, with the main goal of fully automatised marine food production, as we carry out and document the anticipated benefits of MAF phase 1.

In parallel to our efforts in optimizing ocean net farming, we continue with the different projects under the auspices of the Norwegian development license scheme. Approval has been given to build and test five production units of the semi-closed "Egg", and the project team has in 2018 been working on the detailed design including choice of materials to ensure a successful project execution. Furthermore, we were given the approval to build one production unit of the semi-closed "Donut", where we have been completing the detailed design phase, and is currently in dialogue with relevant authorities to secure necessary site approvals. Our application to convert "The Ship" from bulk carrier to semi-closed production unit for inshore locations, as well as our application to build and test the submersible offshore concept called "Beck cage", were both rejected in 2018 by the Norwegian Directorate of Fisheries, and our appeals are currently under consideration by the Norwegian Department of Fisheries. Our last development concept is AquaStorm - a concept for farming on offshore sites based on a technological synergy between Norwegian aquaculture, subsea and offshore competency. The project has progressed into the pre-project phase while we await a response from the Norwegian Directorate of Fisheries, maturing the concept to facilitate a swift project kickoff when we hopefully are granted the licenses we have applied for. Lastly, our two collaborative initiatives for large scale R&D farms- Blue Revolution Centre (BRC) and the existing Centre for Aquaculture Competence (CAC)- are both awaiting decision from the Norwegian Directorate of Fisheries. BRC has applied for six R&D licenses to establish a R&D platform for exposed farming and the interaction between biology and technology, while at CAC we have applied for the extension of three out of five licenses expiring in 2019 to continue our long standing initiative for development and validation of best practices in lice mitigation, farming practices and salmon feed & feeding practices. BRC was granted 3 licenses out of the 6 applied for in January 2019, but has appealed the rejection of the remaining three.



### From Fish to Food

Harvesting is the first step of transforming salmon in a pen to food on a plate. Globally, we harvest more than 1.000 tons every day, and know that a poor harvesting process can spoil what the entire value chain have worked hard to create over four years. This is why we place great emphasis on developing new technology and optimising our methods for the perfect harvest. One such example is "Aqua Merdø" - the first new built Sea Harvest boat in Mowi. It was delivered



Aqua Merdø

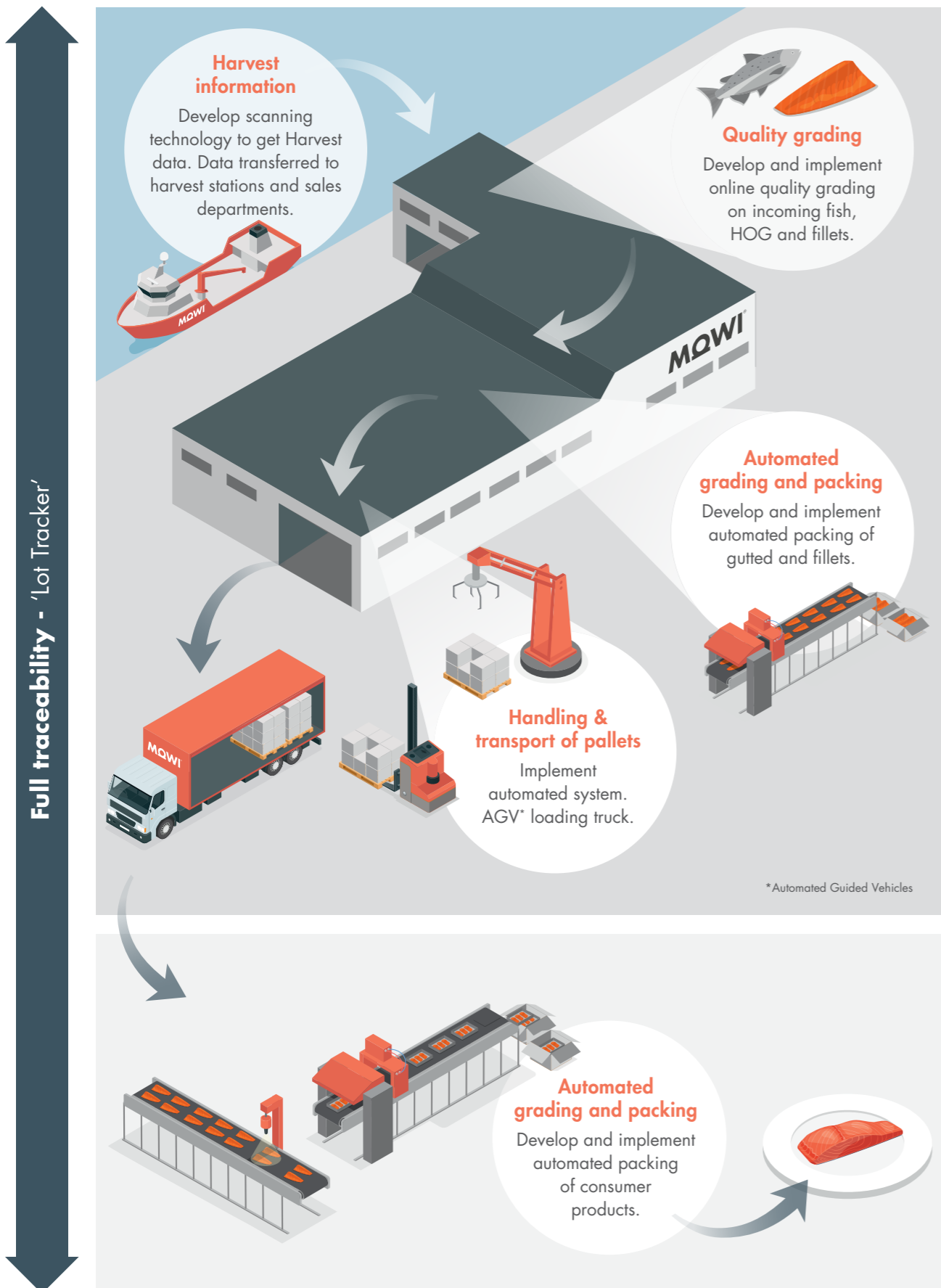
in May 2018 to our associated company DESS Aquaculture and is now in full operation. Sea Harvest, or stun & bleed, is a method that originates from Mowi Canada where it is well established with the new vessel, "Geemia Joye", added to the fleet in December 2018. Compared with traditional live fish transport in wellboats, fish are pumped from the farm cage to the vessel where it is humanely stunned and bled on-board, chilled in RSW tanks and transported dead to the packing station. Mowi Norway South is the pilot area in Mowi where 100% of the fish will be harvested at the farm, and transported by sea harvest to the newly rebuilt and adapted processing facility. We expect that transport regulations will be stricter in the future, in part to secure pathogen free transport along the coast. By the Sea Harvest method there is zero discharge of water from the boat, and all blood water is completely contained for delivery to a treatment plant for disinfection as the fish are unloaded to the packing station. This represents a major step in reducing risk in the value chain as a whole. Building on the experiences from Merdø, the concept will be further developed in future new projects.

Improved biosecurity and fish welfare are two clear benefits with this harvesting method, while it also reduces CO2 emissions significantly and improves production cost. In the design process fish welfare and hygienic design had the highest focus, to reduce risk of spoiling fish quality by a sub-optimal harvest process. The fish handling system has been improved by using a new fish pump and a high

capacity stun & bleed rig, and a new CIP washing system secures the hygiene of the factory and the fish handling systems. As the fish are transported dead, there is no transport stress involved. Finally, live fish transport requires 85% water to keep the fish alive during transport, which impacts boat design and fuel consumption. Other farming companies now see the benefit of the Sea Harvest method, introducing the same concept from 2019 onwards.

Innovative harvesting methods are accompanied by new developments also in the processing environment. We have been working to identify the potential to increase the rate of automation, improve production efficiency and expand our measurement of quality parameters. In 2018, a major automation project was implemented in Mowi, where three processing facilities were selected as pilot plants with the goal of making Mowi industry leaders in process automation. The project group have reviewed a global processing industry and recognised technological concepts that can be adapted to the Mowi processing line to best suit our needs. The suite of new solutions consist of both known and existing technology, but where appropriate solutions do not exist to fill our requirement or desire, we are kicking off targeted R&D projects to develop such solutions going forward. Projects and investments that will be dealt with in 2019 are presented in the following text, complementing our running R&D activity to identify and design the fully automated, high capacity and area efficient production line of future Mowi factories.

# Automated processing



### Automated guided vehicles (AGV)

In Mowi we have hundreds of forklifts at our factories - moving pallets around in production areas, warehouses and in and out of trucks. We have identified appropriate technology to automate these activities by using Automated Guided Vehicles. Automating pallet logistics in our facilities will reduce equipment redundancy, improve worker safety and allow for more predictive maintenance. In 2019, we will install this technology at one factory in Norway, gain operational experience and gradually implement AGVs to other Mowi units.

### Manufacturing execution system (MES)

Our processing units today have several different tools and systems to run their production processes. One challenge with many systems we currently use is the lack of full overview of the production flow. By implementing a new common Manufacturing Execution System, working in real time to enable the control of multiple elements of the production process, we will have a tool to identify bottlenecks in our production lines and increase efficiency. MES is a well-known system used in manufacturing of goods to track and document the transformation of raw materials to finished product.

### Online grading

Several hundred thousand fish are harvested and packed at our harvesting stations every day. Each fish is controlled and classified into different quality categories. In addition, 100 fish from each harvest batch are selected for further and more detailed inspection. We believe that with new online technology for quality control, more accurate quality result from each harvest batch can be achieved. Improved quality data, coupled with the wealth of information from earlier steps in the value chain, will help us to, for example, identify links between undesirable episodes in our farming operation and impaired fish quality resulting in downgrading and quality claims. Online quality grading will also move time-consuming quality control from laboratories and into the production environment, with real-time inspection and continuous and highly accurate results. In 2019, the selected technology will be installed and tested at some of our production units. In addition we will also embark on a development project to create technologies that are able to measure quality parameters that don't exist on the market today.

### New trimming solution

At some of our secondary processing units we produce fresh portion products packed in Modified Atmosphere (MAP). New technology for optimising the cutting and yield performance has been launched the last years. In 2019 we will document the flexibility and value of implementing such technologies in house, and how we can utilise new opportunities offered through our new branding strategy.

### Bringing it Together

This synopsis of our R&D efforts over the last year, and focus going forward, shows that each challenge or opportunity can be confronted in a multidisciplinary manner by utilizing the different competencies within the entire Mowi value chain. This asset will allow Mowi to achieve a higher rate of improvement compared to our competitors. We are however lacking the tool that binds each step of our value chain more tightly together, standardising the data we collect about our production environments and the product itself, how we measure progress in each part of the value chain and how it contributes to the cumulative advance of Mowi salmon. This is where the Mowi Cloud will make a major difference.

### The Mowi Cloud

The Mowi Cloud has been in a design phase throughout 2018, with project execution pending for 2019. Digitalisation of our value chain, starting with pilot facilities in selected Mowi Farming and Processing units, transitioning our operations from local host servers to cloud. This is a collaborative project between Mowi's central departments for R&D and IT, together with Mowi Farming units. The main goal of establishing the Mowi Cloud is to advance from experience based to data driver operation, with exceptional anticipated gain in terms of production efficiency. The project is tightly associated with standardisation processes for data capture and handling, as well as giving the opportunity to align user interfaces in a global company. For example, data from all freshwater, seawater and production facilities will eventually be of high resolution and in a uniform format, allowing comprehensive data lakes to be established. Data lakes created in the Mowi Cloud can be exposed to Artificial Intelligence (AI) based tools in the process known as cloud computing. It can be leveraged above all in R&D through its capacity for pattern recognition and complex causal analyses, but in parallel in improving our tracking of the impact of for example a specific genotype on fish performance, a specific feed composition or raw material selection on fish robustness, or suite of environmental conditions on lice development rates - correlations that cannot presently be evaluated due to the lack of cohesive data.

With the successful implementation of the Mowi Cloud we will be even better positioned to utilise the unique opportunities within our value chain, to the benefit of the environment, our fish and our consumers. 2019 will be a hallmark year when the Mowi value chain is starting to explore its full potential aided by the Mowi Cloud launch.

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# Group results

## The Board's outlook

The salmon market and consumer demand proved strong also in 2018, and prices have remained high in all markets despite increased supply. The outlook for the coming year is also positive, as the market balance is tight and forward prices are encouraging. Through product innovation and development of the salmon category, the consumer can choose between fresh, pre-packed salmon and a wide range of elaborated products. The Board is excited about the prospects for salmon and the many opportunities in both developed and emerging markets.

## Governance

We consider good corporate governance a prerequisite for generating shareholder value, as well as achieving a low cost of capital and merit investor confidence. We hold the view that our current policies for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance.



# 3

# Board of Directors' report

The board is very excited about the many opportunities the branding strategy launched in 2018 and company name change to Mowi represents.

It was a record year for revenue and second best ever for profitability. Operationally, we have an all time high biomass in sea per year end at 305 000 LWT (258 000), this supports that Mowi has significant potential to further grow our farming volumes based on the existing license footprint.

Our blended farming cost has stabilised compared with 2017. The global cost savings program was achieved with savings which exceeded the target, and a new global cost savings program is initiated for 2019.

The board will also highlight the successful integration of Northern Harvest in Atlantic Canada which represents an unique opportunity to enable growth in the North American market.



*"Our vision is "Leading the Blue Revolution" and our ambition is to be a world-leading, integrated producer of seafood proteins. In order to achieve this, we aim to capitalize on our integrated value chain and be the leader in key areas from fish feed production to meeting the needs of the market."*

Ole-Eirik Lerøy,  
Chair of the Board of Directors

## 2018 in Brief

2018 was a record year for revenues and second best ever on profitability. Once again a new record was set for the top line, with total revenues amounting to EUR 3 811.9 million, which was 4.5% above the previous record from 2017. Sold volumes were up by 4.1%, so the revenue increase is mainly attributable to higher sales volume. Global demand for salmon was strong in 2018, hence prices remained at high levels in all markets. Good contract prices in 2018 also contributed positively to the results. The total blended farming cost in box per kg was flat in 2018 versus 2017. 2018 was the best year ever for Consumer Products due to operational improvements and a significant positive volume impact from more value-added sales of salmon. Feed production in the Norwegian plant reached a new all time high of 348,000 tonnes, however, profitability was impacted by increased competition and preparation costs for our new feed plant in Scotland. Towards the end of the year Mowi announced the launch of a brand strategy and changed the company name from Marine Harvest to Mowi. The Board is very excited about the many opportunities the branding strategy represents.

Group Operational EBIT for the year ended December 31, 2018 reached EUR 752.8 million, compared to EUR 792.1 million in 2017. ROCE of 24.9% was significantly above our long-term target of 12%, while NIBD ended the year at EUR 1 037.2 million, EUR 363 million below the long-term target level. A dividend of NOK 10.40 per share was paid to shareholders in 2018. Financial EBIT increased to EUR 925.4 million in 2018 from EUR 484.9 million in 2017, and the largest individual explanation for the change is the significantly increased net fair value adjustment on biomass including onerous contracts.

## The Mowi Group

At Mowi, we believe the right way to supply a growing world population with healthy, nutritious protein products is by sustainably farming the ocean. Our vision is "Leading the Blue Revolution" and our ambition is to be a world-leading, integrated producer of seafood proteins. In order to achieve this, we aim to capitalize on our integrated value chain and be the leader in key areas from fish feed production to meeting the needs of the market.

We are the world's largest producer of farm-raised salmon, both by volume and revenue, offering fresh, whole salmon, processed salmon and other processed seafood products to customers in approximately 70 countries. We currently engage in three principal types of production activities:

- Salmon feed production in Norway;
- Salmon farming and primary processing of salmon in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands; and
- Secondary processing of seafood in Norway, Scotland, Ireland, Poland, France, Germany, Belgium, the Netherlands, the Czech Republic, Spain, Turkey, Sweden, Chile, Canada, United States, Japan, Vietnam, Taiwan, China and South Korea.

We opened our first feed plant in 2014 to facilitate our control of the value chain, enable the rapid development of improved feed products and ensure quality throughout the process. Our feed plant in Bjugn, Norway, supplied 97% of our Norwegian fish feed requirements in 2018 (up from 85% in 2017). Our second feed plant at Kyleakin on

the Isle of Skye, Scotland is scheduled for trial-production during the spring of 2019. Through the gradual in-sourcing of feed, we expect to obtain lower feed costs as well as improved growth, lower feed conversion rates and higher product quality.

In our Farming operations, the company is focused on capitalizing on the many organic growth opportunities within the current license footprint. In addition, Mowi completed the purchase of Northern Harvest, a salmon farmer located on the East Coast of Canada for a transaction price of CAD 315 million, in 2018. The acquisition is of strategic importance, and the benefits include expansion into a new region for Mowi, as well as improved market access to the Eastern Canadian and US seafood markets. In Norway, we purchased increased farming capacity under the amended fish farming regulations which have given farmers in green production areas the opportunity to buy an increase in the maximum allowed biomass (MAB) permitted under existing licenses. Mowi's share of the 2% fixed-price growth is 1 400 tonnes MAB. In addition Mowi participated in the auction process of the remaining growth and Mowi Norway purchased 2 930 tonnes increased MAB. The boundaries of the production areas defined in the amended regulations form the basis for the new region structure that Mowi Norway has implemented with effect from 1 January 2018. The number of regions in our largest Farming business unit has been reduced from four to three, and the aim of the restructuring is to adapt to the amended fish farming regulations, and to streamline the organisation following the cost increases and volume reductions of recent years.

To further support our farming activities, the associated company DESS Aquaculture Shipping ("DESS Aqua") was established in 2016 for the purpose of building, owning and operating aquaculture vessels. Mowi owns 50% of DESS Aqua. In 2018, the company took delivery of the harvest vessel "Aqua Merdø" and the well boat "Aqua Tromøy". DESS Aqua also has a new building program of ten vessels. When the new building program is completed, the fleet will consist of 12 aquaculture vessels. During the year, we increased our investment in this company by EUR 32 million, with a further EUR 15 million to be paid in 2019.

To achieve our ambition of growth in sales of both new and existing products, production capacity must also increase. We have therefore substantially expanded and upgraded several of our processing plants to provide customers with new products including sushi. In 2018, we opened new plants in Glommen, Sweden and Zaragoza, Spain. In addition, we expanded our plant in Ducktrap, Maine to facilitate further sales growth. Our first plant in China was launched in 2018 as part of the announcement of a strategic partnership between Mowi and Alibaba in the Chinese market. The plant, which is located in Shanghai, will begin operating in 2019. We currently operate 28 secondary processing facilities, the largest which are located in Ustka, Poland; Bruges, Belgium; Rosyth, Scotland; and Boulogne, France.

At Mowi's Capital Markets Day in November, the company launched a brand strategy and the change of company name to Mowi. The company will launch the MOWI brand into selected markets starting in 2019. Our exciting branded product line will provide customers with added value in taste, convenience, nutrition and traceability.

Our commitment to the sustainable development of the industry include our ASC (Aquaculture Stewardship Council) certification project. Mowi is the industry leader in ASC certification of seawater sites, and at year-end 2018, we had 78 sites certified. This represents 34% of our sites.

Sea lice still constitute our main sustainability challenge. Recognizing that the sustainable development of our industry requires the development of new technology, we continue to search for solutions, including various closed-containment systems for fish farming that will not only mitigate, but also eradicate the sea lice challenge. Since the floating semi-closed technology is still very new, we intend to test several different concepts, to be sure we select the best one once the technology is scaled up. We have therefore applied for development licenses to test the following closed concepts: The Egg®, The Marine Donut®, The Beck cage, The Ship and The Aquastorm. Mowi Norway is still awaiting the final decisions regarding these applications. Furthermore, Mowi Norway has been awarded three research licenses for the Blue Revolution Centre, which purpose is to perform research and trial activities in a cluster of sites exposed to harsh weather conditions. Although we are developing and testing closed-containment solutions, we do not think that our existing facilities will become redundant in the future. On the contrary, we see opportunities to combine the present with the future and make the best of both, particularly following the substantial upgrades to our land-based smolt facilities, which enable the production of larger smolt less susceptible to biological challenges. In 2018, we continued to expand our smolt facilities. We opened one new unit in Scotland, one in the Faroe Islands and two in Canada. The new facilities will provide higher quality, larger smolts, produced in a controlled environment at a reduced cost with economies of scale.

## Financial Results

Financial results are created through interaction between people, the natural environment and technology. Our goal is to find an optimal combination of these elements to create long-term success, whilst understanding that our growth must be environmentally, socially and financially sustainable. We use key performance indicators within our four interrelated guiding principles, Profit, Planet, Product and People to measure the Group's progress. This contributes to sustainable long-term results for all stakeholders. Developments with regard to key performance indicators within each guiding principle are discussed in detail in separate sections in this Integrated Annual Report.

## GROUP RESULTS

Set out below are our consolidated statements of operational data for the years ended December 31, 2018 and 2017.

### CONSOLIDATED INCOME STATEMENT DATA

	IN EUR MILLION			AS % OF REVENUE	
	2018	2017	Change in EUR	2018	2017
<b>Revenue and other income</b>	<b>3 811.9</b>	<b>3 649.4</b>	<b>162.5</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of materials	-1 812.2	-1 688.5	-123.8	-47.5%	-46.3%
Net fair value adjustment biomass	146.4	-340.3	486.7	3.8%	-9.3%
Salary and personnel expenses	-505.0	-477.9	-27.1	-13.2%	-13.1%
Other operating expenses	-589.9	-555.0	-35.0	-15.5%	-15.2%
Depreciation and amortization	-153.4	-150.4	-3.0	-4.0%	-4.1%
Onerous contracts provision	-6.1	119.8	-125.9	-0.2%	3.3%
Restructuring costs	0.3	-2.5	2.8	—%	-0.1%
Other non-operational items	-1.0	0.3	-1.2	—%	—%
Income/loss from associated companies and joint ventures	45.5	33.7	11.8	1.2%	0.9%
Impairment losses	-11.0	-103.8	92.7	-0.3%	-2.8%
<b>Earnings before financial items (EBIT)</b>	<b>925.4</b>	<b>484.9</b>	<b>440.5</b>	<b>24.3%</b>	<b>13.3%</b>
Interest expenses	-50.0	-46.7	-3.3	-1.3%	-1.3%
Net currency effects	-17.7	-8.8	-8.9	-0.5%	-0.2%
Other financial items	-125.5	93.2	-218.7	-3.3%	2.6%
<b>Earnings before taxes</b>	<b>732.2</b>	<b>522.6</b>	<b>209.6</b>	<b>19.2%</b>	<b>14.3%</b>
Income taxes	-165.0	-59.9	-105.1	-4.3%	-1.6%
<b>Net earnings from continuing operations</b>	<b>567.2</b>	<b>462.7</b>	<b>104.5</b>	<b>14.9%</b>	<b>12.7%</b>
<b>Non-IFRS measures</b>					
Operational EBIT	752.8	792.1	-39.2	19.7%	21.7%
ROCE %	24.9%	26.7%	-1.8%		

The financial information includes certain APM non-IFRS measures used to evaluate our economic and financial performance. For further information, please see Part 4 Analytical section.

The table above demonstrates that several cost items have increased somewhat in 2018 relative to revenue. In 2018, Mowi completed a global cost savings program with EUR 61 million annual savings across all business units to address the negative cost development in recent years. The full effect of this program is expected to be achieved from 2019. Furthermore, Mowi has initiated a new global cost and procurement improvement program with a target of EUR 30 million in additional savings p.a. The company will ensure that the initiatives do not compromise safety, quality and growth.

### Revenue and volume

Revenue and other income for the year ended December 31, 2018 totaled EUR 3 811.9 million, an increase of 4.5%, or EUR 162.5 million compared to the EUR 3 649.4 million achieved in 2017. The revenues achieved in 2018 were our highest ever, and the year-on-year increase from 2017 was mainly driven by higher sales volume. Demand for salmon was strong in all markets in 2018, hence prices remained at high levels. Mowi achieved a combined global price that was 1% below the weighted reference price in both 2018 and 2017. Relative to the reference price, contract sales made a positive contribution in both years.

Sales volumes increased by 4.1%. The increase in Consumer Products was 16.5%, partly explained by higher bulk volumes. The Group harvested a total of 375 237 tonnes gutted weight in the year ended December 31, 2018. This was 4 892 tonnes, or 1.3%, more than the year before. Volume increases in Norway, Chile, the Faroes and Canada East were partly offset by decreases in Scotland, Ireland and Canada West. In Norway, the increase in harvest volume of 20 275 tonnes was mainly due to Region North, explained by improved growth and a more normal harvest volume following biological challenges in 2017. For salmon of Scottish origin, the reduction in harvest volume of 21 743 tonnes was due to timing of smolt stockings. For Canada, the volumes in Canada East of 6 868 tonnes is a result of the acquisition of Northern Harvest in 2018. This was offset by a corresponding decrease in Canada West on environmental challenges. Harvest volumes for our Chilean operations increased by 8 271 tonnes due to the return to a more normal harvest volume following biological issues in previous years. In Ireland, the reduction of 3 507 tonnes was due to lower opening biomass and reduced growth. In the Faroes, the increase of 1 717 tonnes in 2018 was due to the uneven smolt stocking pattern resulting from the limited number of sites in operations.

#### Cost of materials

The cost of materials for the year ended December 31, 2018 totaled EUR 1 812.2 million compared to EUR 1 688.5 million in 2017, which is an increase of 7.3%. In Feed, costs increased in 2018 on higher raw material prices and increased volumes. Farming costs released from stock increased somewhat compared with 2017 explained by higher volumes, but costs released from stock were stable measured per kg harvested. In Sales & Marketing, costs of materials increased mainly due to higher volumes.

#### Salary and personnel expenses

Total salaries and personnel expenses for the year ended December 31, 2018 totaled EUR 505.0 million, an increase of 5.7%, or EUR 27.1 million, compared to EUR 477.9 million in 2017. The number of FTEs has risen by 1 304, or 10%, in the same period. The increase in FTEs is evenly distributed between Farming and Sales & Marketing and is the result of increased activity. Measured in percentage of revenues, salary and personnel expenses were relatively stable compared with the previous year.

#### Other operating expenses

Other operating expenses increased by EUR 35.0 million or 6.3% in the year ended December 31, 2018 compared to the same period in 2017. Measured in percentage of revenues, other operating expenses were somewhat up compared with the previous year. In Farming, the increase is mainly explained by Canada on challenging biological conditions and extra costs related to protestors and legal advisers. In Sales & Marketing, other operating expenses have been negatively impacted by extra costs related to the fire in Kritsen.

#### Net fair value adjustment and onerous contracts provision

We recognised a net fair value adjustment of EUR 146.4 million for the year ended December 31, 2018, compared to EUR -340.3 million in 2017. The change in the onerous contracts provision in 2018 was

negative in the amount of EUR 6.1 million, compared with a positive effect of EUR 119.8 million in 2017. The net effect of these line items is a positive adjustment of EUR 140.3 million in 2018 compared with a negative adjustment of EUR 220.5 million in 2017. This development is explained by increased biomass in sea and higher salmon prices at the end of 2018 compared with the end of 2017. For more information, please refer to Note 6 to the Group financial statements.

#### Restructuring costs

In 2018, we recognised EUR 0.8 million related to an ongoing reorganisation process in Mowi Scotland. After reversals of provisions from previous years, the net effect is positive with EUR 0.3 million. For more information, please see Note 30 to the Group financial statements.

#### Income/loss from associated companies and joint ventures

We recognised an income from associated companies of EUR 45.5 million for the year ended December 31, 2018 compared to EUR 33.7 million in 2017. The change from 2017 is mainly related to higher results in Nova Sea AS. For more information, please see Note 21 to the Group financial statements.

#### Impairment losses

The main impairment losses recognised in 2018 relate to the fire in Kritsen in July. This represents EUR 8.6 million of the total amount of EUR 11.0 million. In addition, EUR 2.4 million has been recognised related to impairment of fixed assets no longer in use in Chile, Scotland and Norway. In 2017, impairment losses of EUR 103.8 million was recognised related to farming licenses in Chile.

#### Earnings before financial items (EBIT)

As a result of the items described above, in addition to non-operating items and depreciations costs, our EBIT came to EUR 925.4 million in the year ended December 31, 2018, compared to EUR 484.9 million in 2017.

#### Operational EBIT

Group Operational EBIT decreased by 5.0% from EUR 792.1 million in 2017 to EUR 752.8 million for the year ended December 31, 2018. This change was mainly the result of lower achieved prices in Farming.

#### Return on capital employed (ROCE)

We achieved a return on capital employed (ROCE) of 24.9% in 2018, well above our long-term target of 12.0%. The comparable figure for 2017 was 26.7%.

#### Financial items

In the year ended December 31, 2018, interest expenses increased by 7.0% to EUR 50.0 million, compared with EUR 46.7 million in the same period in 2017. The average interest-bearing debt for 2018 came to EUR 1 023.1 million compared to EUR 948.5 million in 2017, i.e. an increase of 7.9%. Net interest-bearing debt at year-end totaled EUR 1 037.2 million.

Net currency effects for the year ended December 31, 2018 amounted to EUR -17.7 million, compared to EUR -8.8 million in 2017. The

negative currency effect in 2018 was driven by unrealized losses on working capital items.

For the year ended December 31, 2018, other financial items totaled EUR -125.5 million compared to positive EUR 93.2 million in 2017. The change in the fair value of the conversion liability component of the last convertible bond before the conversion to equity amounted to EUR -142.3 million due to the increased share price. In 2017, the effect was opposite due to decreased share price, and the corresponding effect was EUR 82.4 million.

For more information about financial items, please see Note 12 to the Group financial statements.

#### Income taxes

For the year ended December 31, 2018, we recognised a tax expense in profit and loss of EUR 165.0 million, compared with EUR 59.9 million in 2017. The main driver for the higher tax expense was the increased earnings before tax. For more information, including a full reconciliation between earnings before taxes and the tax expense, please see Note 15 to the Group financial statements.

#### Profit and loss for the year

As a result of the foregoing, our profit and loss for 2018 came to EUR 567.2 million, up EUR 104.5 million from EUR 462.7 million for the year ended December 31, 2017.

## BUSINESS AREAS AND SEGMENTS

### Feed

Operational EBIT for Feed was EUR 9.6 million in 2018, which was somewhat higher than the previous year (EUR 8.5 million) on higher volume. Margins in our Feed operations have been reduced in recent years as a result of fierce competition in the feed industry. Operational EBIT margin was 2.3% in 2018, which is somewhat down from 2.4% in 2017.

Feed prices improved during the year in line with the corresponding increase in raw material costs. In addition to increased costs related to input factors such as fish oil and fish meal, costs in 2018 have been negatively impacted by the construction phase of the new feed plant in Scotland.

The plant in Bjugn, Norway, produced 348,402 tonnes of feed in 2018 (305,174 in 2017), which was record-high, ensuring that our Norwegian farming operations were 97% supplied by our own feed (85% in 2017). The new plant in Kyleakin, Scotland, is expected to start operations in April 2019. Following our self-sufficiency strategy on feed, Mowi Feed continues to develop its range of products, including fresh water, organic and cleaner fish diets.

### Farming

Farming's Operational EBIT totaled EUR 625.2 million in the year ended December 31, 2018, compared to EUR 660.5 million in the year ended December 31, 2017. The decrease was mainly due to lower achieved prices. The volume harvested increased by 1.3% from 2017

to 2018. The cost in box decreased for our Norwegian and Chilean operations, while it increased for Scotland and Canada. For Mowi Farming, total cost in box decreased by 0.8% from the previous year.

For details of our farming entities' operational performance, please see the comments under Operational performance by country of origin in Part 2 of this Integrated Annual Report.

### Sales & Marketing

Our Sales & Marketing operations consist of the reporting segments Markets and Consumer Products.

#### Markets

Markets' Operational EBIT for the year ended December 31, 2018 came to EUR 51.0 million, compared to EUR 59.0 million in 2017. The 2018 Operational EBIT comprised EUR 37.9 million from Markets Europe, EUR 1.5 million from Markets Asia and EUR 11.7 million from Markets Americas, compared to EUR 41.8 million, EUR 3.2 million and EUR 14.1 million, respectively, in 2017.

Markets Europe was impacted by lower volumes and reduced margins in Scotland, and reduced margins in the Faroes. These effects were partly offset by higher earnings in Norway driven by improved volumes.

Markets Asia experienced shortages of large-sized fish, which has impacted sold volumes and margins in the trading business negatively compared with the previous year.

The trading business in Canada and the US delivered underlying earnings somewhat below the previous year on lower volumes. In Chile, earnings were reduced from 2017 on lower achieved margins, partly offset by increased volumes.

#### Consumer Products

From 2018, the reporting segment includes Consumer Products in Europe, Americas and Asia. Mowi Consumer Products is geographically organised, but constitutes one reporting segment. Consumer Products' Operational EBIT for the year ended December 31, 2018 came to EUR 88.0 million, compared with EUR 75.9 million in 2017, making 2018 the best year ever for Consumer Products. 2018 was a record year for several of our plants, including the large plants in Ustka (Poland), Rosyth and Pieters. In general, the improved results are due to higher volumes and operational improvements. The volume sold increased by 16.5% compared to 2017, ending at 168 831 tonnes end-product weight. The increase is partly explained by higher bulk volumes. Lower raw material costs and other costs were offset by reduced prices.

#### Europe

We experienced good growth in the UK, Benelux and the Southern and Eastern European markets in 2018. In the French and German markets, sales to traditional retail customers have been difficult as a result of the high prices. However, our Consumer Products organisation managed to partly offset this through increased sales to discount retailers.



For our Chilled operations (mainly smoked products) in Europe, volumes increased from 2017. However, earnings were impacted by margin pressure in the chilled segment following fierce competition and one-off costs and insurance deductibles related to the fire in Kritsen. Nevertheless, Operational EBIT increased from the previous year on partial recognition of property damage insurance of EUR 10 million related to the fire in Kritsen. In our Fresh operations in Europe, volumes increased from 2017 on successful promotions and higher bulk volumes. Operational EBIT decreased from the previous year on margin pressure and social unrest in France.

#### Americas

Fresh in the Americas developed favorably in 2018 driven by strong demand for our value-added products and successful promotions. Skin pack volumes were at all-time highs. For Chilled in the Americas, the effect of increased volumes was offset by start-up costs related to the factory expansion at Ducktrap, Maine.

Although consumption in the US increased in 2018, it is still low by European standards. One of the main barriers to consumption has been availability of fresh salmon in retail stores. The opening of our new value-added plants in recent years has improved our market access. In March, Mowi moved its operations in Miami to a new plant twice the size of the existing site.

#### Asia

Our Asian operations experienced growth in volumes and earnings in 2018. This was particularly the case in Japan and South Korea after successful promotions and high demand. However, earnings have been adversely affected by yield impact from smaller fish.

#### LICENSES

The recognised book value of our fish farming licenses in our Statement of Financial Position was EUR 781.4 million and EUR 615.2 million at December 31, 2018 and 2017 respectively. The increase is mainly attributable to the licenses in Northern Harvest following the acquisition in 2018. In addition, Mowi Norway purchased increased MAB in green production areas under the amended farming regulations. Measured in EUR per kg salmon harvested, book license values were EUR 2.1 and EUR 1.7 in 2018 and 2017 respectively. In Chile, we have significant unused license capacity. In other business units, our current harvest volumes are closer to the capacity under the current operating regime. The size of the smolt put to sea influences the production capacity of our sea water operations in the jurisdictions where maximum allowed biomass (MAB) regulations apply. Larger smolts will result in increased harvest per license in these regimes. We are currently in the process of increasing our smolt capacity to allow for the production of bigger smolt.

#### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand, revenues generated from our operations and, to a lesser extent, loans and other

financing arrangements. Our principal needs for liquidity have been, and will probably continue to be, costs of raw materials, including fish feed, other working capital items and capital expenditures, to service our debt, and to fund dividend payments and acquisitions. We believe that our liquidity is sufficient to cover our working capital needs in the ordinary course of business.

In May 2018, Mowi issued an unsecured bond with a principal amount of EUR 200 million. We also completed the conversion of the EUR 340 million convertible bond to equity. The bank facility agreement included an accordion increase option, which was executed in December 2018, increasing the size of the facility by an additional EUR 200 million to EUR 1,406 million.

Our NIBD totaled EUR 1 037.2 million as of December 31, 2018, compared to EUR 831.9 million as of December 31, 2017. As a result of the acquisition of Northern Harvest, the Board of Directors revised the Farming NIBD/kg from EUR 2.0 to EUR 2.2 and the long-term NIBD target from EUR 1 200 million to EUR 1 400 million.

#### CASH FLOW

##### Cash flow from operations

Cash flow from operations for the year ended December 31, 2018 came to EUR 620.9 million, compared to EUR 632.4 million for 2017. The decrease was mainly due to lower operational earnings and increased tie-up of working capital. These effects were partially offset by lower taxes paid on reduced prepayments of tax.

##### Cash flow from investments

Cash flow from investments for the year ended December 31, 2018 came to EUR -563.7 million, compared to cash flow from investments of EUR -234.7 million in 2017. The difference of EUR 329.0 million is mainly related to purchase of 100% of the shares in Northern Harvest for approximately EUR 210 million, purchase of increased MAB in Norway for approximately EUR 70 million and increased capital expenditure, including the new feed factory in Scotland.

##### Cash flow from financing

Cash flow from financing for the year ended December 31, 2018 came to EUR -22.0 million, compared to EUR -425.5 million for 2017. In line with our dividend policy, dividends amounted to EUR 532.4 million in 2018 (EUR 640.3 million in 2017).

#### MOWI ASA PROFIT FOR THE YEAR

Mowi ASA made a profit for the year ended December 31, 2018 of EUR 197.6 million, compared with EUR 228.6 million in 2017.

#### DIVIDEND

Mowi ASA paid a dividend per share of NOK 10.40 in 2018. In 2017 the dividend per share was NOK 12.40.

## Allocation of Net Profit

At the forthcoming AGM, the Board will propose that Mowi ASA's EUR 197.6 million net profit for the year should be allocated to other equity.

## Going Concern

The Board confirms that the financial statements have been prepared on the assumption that the Company is a going concern, in accordance with section 3-3a of the Norwegian Accounting Act, and that such an assumption is justified. This confirmation is based on the reported results, the Group's business strategy, financial situation and established budgets.

## Risk and Risk Management

We categorize risk based on the COSO enterprise risk framework, which divides risk into four categories:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

We consider our operational risk to cover several individually important subcategories, and have therefore chosen to divide our operational risks into the following sub-categories:

- a. Risks related to the sale/supply of our products
- b. Risks related to government regulations
- c. Risks related to our fish farming operations
- d. Risks related to our supply of fish feed and feed operations
- e. Risks related to our industry
- f. Risks related to our business
- g. Risks related to our financial arrangements
- h. Risks related to tax and legal matters
- i. Risks related to climate change

All risk categories could, if not properly managed, have material adverse effects on our business operations and financial results. Each risk category includes one or more identified risks factors that individually and/or in combination with others could significantly affect our performance. For a complete overview of our identified risks, please see section Risk and Risk Management in Part 4 of this Integrated Annual Report.

## RISKS RELATED TO OUR FINANCIAL ARRANGEMENTS

### Financial risk

The Group monitors and manages the financial risks arising from its operations. These include currency risk, interest rate risk, credit risk and price/liquidity risk.

### Currency risk

Several business units carry out a large number of business transactions in currencies other than their domestic currency. For the Group, the relative importance of these transactions is substantially larger on the revenue side than on the cost side. To mitigate potential fluctuation effects on our cash flows, we maintain a foreign exchange strategy designed to manage these exposures both in the short and long term. The Group has defined a hedging strategy for each of Mowi's units.

The Group's predominant currency is EUR, which accounts for more than 50% of net cash flow. Since the establishment of the Group in 2006, Mowi has managed its cash flow in EUR and has used EUR as its main financing currency. From January 1, 2016 the Group's financial reporting currency was changed from NOK to EUR, which has made the reporting currency consistent with a significant portion of the Group's cash flow, cash flow management and financing. The functional currency of the parent company Mowi ASA was also changed from NOK to EUR at the same time. From January 1, 2018, all of our Norwegian subsidiaries apply EUR as their functional and reporting currency.

### Interest rate risk

Our financing is generally at floating interest rates. It is Mowi ASA's policy to hedge the Group's long-term interest-bearing debt by currency, including external interest-bearing debt and leasing in the parent company or subsidiaries, through fixed-interest or interest-rate derivatives.

Over time, Mowi ASA shall hedge 0%-35% of the Group's long-term interest-bearing debt by currency through fixed-interest or interest-rate derivatives for the first 5 years, and 0% at fixed rates thereafter. Interest-bearing debt includes external interest-bearing debt and leasing in the parent company or subsidiaries. The interest rate hedges shall be based on the targeted currency composition. Interest rate exposure in currencies other than EUR, USD, GBP and NOK shall not be hedged. All interest-rate hedging shall be undertaken by the parent company. At year-end 2018 the Group had a portfolio of interest swaps with a net negative market value of EUR -58.6 million after a decrease in market value during 2018 of EUR 14.0 million (13.7 million), recognised through profit and loss.

### Credit risk

We are exposed to the risk of losses if one or more contractual partners fail to meet their obligations. To mitigate this risk the Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a rule the Group's trade receivables are fully credit insured. The Group monitors its exposure to individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of December 31, 2018. The maximum exposure is disclosed in Note 17 to the Group financial statements.

The Group enters into derivative transactions only with counterparts with whom it has an established business relationship.

#### Price/liquidity risk

The Group continuously monitors its liquidity, and estimates expected liquidity developments on the basis of budgets and monthly updated forecasts from the units. Mowi's financial position depends heavily on developments in the spot price for salmon, and these prices have historically been volatile. As such we are exposed to movements in supply and demand for salmon. We have to some extent mitigated our exposure to spot prices by entering into bilateral fixed-price/volume contracts with our customers. The contract share has normally varied between 20% and 50% of our sold volume, and the duration of the contracts has typically been three to twelve months. Furthermore, we reduce our exposure to spot price movements through value-added processing activities and the tailoring of products to specific customer requirements. Other key liquidity risks include fluctuations in production and harvested volumes, biological issues, and changes in the feed price, which is the most important individual factor on the cost side. Feed costs are correlated to the commodity prices of the marine and agricultural ingredients.

#### Leverage and capital access risk

Leverage and capital access i.e. capital management refers to the process of acquiring and utilizing capital in the most efficient manner given the available alternatives.

#### Capital access risk

Feed production, salmon farming and seafood processing are capital-intensive industries. Our future development and growth may depend on access to external capital in the form of debt and/or equity capital. Access to borrowed capital is continuously monitored and we maintain a continuous dialog with our lenders.

#### Leverage risk

We have significant indebtedness. Our current debt is on favorable terms including the syndicated loan facility. The syndicated loan facility sets forth an equity ratio as the only financial covenant. The remaining portfolio of interest-bearing debt does not include more restrictive financial covenants. Mowi complied with the covenant in its loan agreements during 2018 and the close of the year. Details of the Group's main loan programs are described in Note 11 to the Group financial statements.

For further information about our financing arrangements, capital management and risk management, please see Notes 11 and 13 to the Group financial statements.

#### REPORTING RISK

On February 17, 2017, Mowi ASA's Board of Directors resolved to delist Mowi's American Depositary Shares (ADSs), from the New York Stock Exchange (NYSE) and to terminate the registration of the ADSs and shares under the U.S. Exchange Act. Since March 9, 2017, our shares have been listed on the Oslo Stock Exchange only. Following

the delisting and deregistration from NYSE, Mowi remains subject to the rules of the Oslo Stock Exchange and other Norwegian and European Union financial market regulations, but is no longer subject to the Sarbanes-Oxley Act of 2002 section 404 - internal control over financial reporting.

For further information regarding the Group's internal control procedures, please refer to Corporate Governance in Part 3 of this Integrated Annual Report.

### Sustainability

We live in a world that is facing major environmental challenges, including climate change and the depletion of natural resources, but also a world where future food production needs to match global demand. Fish farming can improve the world's standard of living by producing food that is both highly nutritious and of high quality, while at the same time delivering a reduced carbon footprint. Fish farming is one of the most climate-friendly ways of producing protein from animal husbandry. Eating salmon instead of land-based animal proteins would, by itself make a difference to climate change.

Delivering continuous excellence means tackling environmental challenges in a holistic way. Our ASC-certification projects have helped us target improvements in key areas, including fish escapes, nutrient release, biodiversity, use of medicines and sustainable feed ingredients. In addition to environmental indicators, the ASC standard also contains numerous social indicators to ensure that salmon farming is undertaken not only in an environmentally responsible manner, but also in a socially acceptable one.

For a detailed review of how Mowi works to secure sustainable operations, please see Part 2 of this Integrated Annual Report.

#### FACTORS THAT MIGHT INFLUENCE THE ENVIRONMENT

From a global perspective, the two most significant challenges related to food production are greenhouse gas emissions and the feed used for animal protein production. We consider these challenges to represent opportunities for the salmon farming industry, as farmed salmon utilizes significantly less feed than competing agricultural protein sources, and causes lower emissions of greenhouse gases.

#### Salmon farming is climate friendly food production

When comparing the carbon footprint of farmed salmon with that of traditional meat production, the salmon footprint comes out at 2.9 kg carbon equivalent per kg of edible product, whereas pork and beef produce, respectively, 5.9 kg and 30 kg carbon equivalent per kg of edible product. Farmed salmon is also an excellent protein and energy converter compared to alternative meat sources. Producing proteins by farming salmon with sustainable sourced feed is therefore good resource management.

#### The use of feed for animal protein production

Continuous access to sustainably managed feed ingredients is a prerequisite for the salmon farming industry. Over the past ten years, we have been able to reduce our dependence on marine raw materials (fish meal and fish oil) in salmon feeds by 50%. This is made possible by a significant substitution of marine raw materials by vegetable sources and the use of high-quality by-products from poultry in Chile and Canada. However, such an improvement brings new challenges, including the use of sustainably sourced vegetable ingredients and a continuous effort to source marine ingredients from responsibly managed fisheries.

We believe the coming years will be key to finding alternative EPA and DHA-rich sources that could further reduce our dependence on fish oil. Our efforts to source sustainable feed ingredients will always go hand-in-hand with the goal of ensuring that our salmon remain a rich source of Omega-3 fatty acids.

#### Farming activities with a potentially negative environmental impact

We are committed to developing our business in a way that safeguards the planet's natural capital, including its biodiversity. Our fish farming operations may impact the environment as a result of sea lice, medicinal treatments, fish escapes and nutrient release. All farming systems have an impact, but it is up to us to ensure that ours is kept to a minimum, and that all impacts are measured and controlled.

#### Sea lice

Since we launched our updated strategy for sea lice management in 2015, we have significantly increased our R&D activities to find new and better ways to manage sea lice. In 2017 we established the Lice Action Team, tasked with developing novel solutions for safe and cost-efficient sea lice control. At operations with non-medical treatment systems, an average of 62% of all treated fish were treated using non-medical tools. We continuously track the average monthly percentage of sites above statutory sea lice limits in each business unit. Good progress was achieved in Scotland, Faroes and Canada while a slight increase was observed in Norway and Ireland. In Chile, several factors including environmental challenges, limited access to non-medical treatment systems and high lice challenge pressure, hampered full application of our lice strategy.

While we observed a satisfying decrease in losses where treatments were carried out we continue to strengthen our efforts to further develop integrated approaches and safer non-medical treatment systems in our operations.

#### Medicinal treatments

Licensed medicines for sea lice control are prescribed and used only when required, and under the supervision of authorized veterinarians and fish health professionals. As a result of the broader implementation of our sea lice strategy and application of non-medical treatment systems, our medicine use fell sharply in 2018. Compared to 2017, the use of both oral medicines and hydrogen peroxide declined, while use of topical medicines increased slightly. From 2016 to 2018,

our total medicine use and total active substance use (g/t biomass produced) were reduced by 77% as a result of the success of our sea lice strategy and the increased use of non-medical methods.

Licensed medicines for bacterial infections are prescribed and used only when required, and under the supervision of authorized veterinarians and fish health professionals. In total, our use of antibiotics (gram of active substance per tonne produced) to combat bacterial infections decreased from 62g in 2017 to 40g in 2018. No antibiotics were used in our operations in the Faroe Islands and significant reductions were achieved in Scotland and most notably Chile. Full scale application of a new SRS vaccine contributed to the significant reduction of antibiotic use in Chile. Antibiotic use increased in Canada because of increased bacterial challenges (*Moritella viscosa*) and the presence of wounds. Consequently, a new vaccination strategy has been implemented to address these developments. Due to an outbreak of Enteric Redmouth Disease at a cluster of sites in a small area of mid-Norway, which were stocked before implementation of our new vaccination strategy, 3 antibiotic treatments were prescribed for the health and wellbeing of the fish and to prevent the disease from spreading. The number of fish treated with antibiotics remained low in 2018, at 0.1% in freshwater (0.3% in 2017) and 3.1% in seawater (2.5% in 2017).

#### Fish escapes

Our objective is zero escapes. It is our responsibility to control our fish stocks and eliminate the potential consequences of their escapes. There is, however, no simple solution to help us achieve this goal. Only an integrated approach that continuously assesses and improves our operations and equipment will bring effective results.

In 2018, the number of escaped fish has increased to a total of 783 323 (10 escape incidents), mainly due to an incident in Chile where 651 991 fish escaped. The corresponding figures for 2017 were 15 escape incidents and a total of 23 223 escaped fish. Our target of zero escapes was achieved on the Faroe Islands, Ireland and in Region South and Mid in Norway.

#### Nutrient release

For sites located in protected areas, we undertake annual monitoring of benthic populations. In 2018, we continued to measure the potential impact of organic loading from our farming operations on seabed communities in accordance with mandatory national surveys. Results show that on average 92% (82% in 2017) of our sea farms have a minimal impact (i.e. the impact is kept within the carrying capacity of the environment) on faunal communities and/or sediment chemistry in the proximity of fish pens. When the impact on the seabed is considered unsatisfactory (one site in the Faroes, two in Scotland, two in Chile, three in Canada, one in Ireland, four in Norway), we take corrective action. This may include stopping or reducing production, repositioning the pens and/or increasing the fallowing period, i.e. the time between production cycles, to allow the seabed to recover from organic loading.

For more information about sustainability and the aspects of our farming operations that might influence the environment, please see the Planet section.

#### Other operating activities with a potentially negative environmental impact

The Group's other activities may also affect the environment and local communities. The continuous evaluation of potentially negative impacts is based on our experience as well as dialog with non-governmental organisations (NGOs), regulators, customers and the scientific community.

Being aware of the potentially negative effects our activities could have on the environment and local communities, we have incorporated measures to monitor and manage these in the Qmarine global quality program. We continue to work with regulators, industry partners and the scientific community to promote environmental responsibility in the industry. For more information on how the Group works to understand and address stakeholder concerns, please see our Stakeholder engagement section in Part 1 (Leading the Blue Revolution).

## Research and Development

We believe that successful growth of the industry within a sustainable framework is only possible by overcoming biological challenges and controlling sea lice. Research and development (R&D) at Mowi is an engine for sustainable growth, and is integral to our vision of Leading the Blue Revolution. We focus on creating sustainable value and competitive advantage by making improvements and breakthroughs in our Feed and Farming, as well as our Sales & Marketing business areas.

The specialists in our Global R&D and Technical Department work directly with technical staff at our operating units through participation in global technical teams and collaborative projects. This ensures that our work constantly benefits from a culture of shared expertise and knowledge. Through collaboration and the allocation of defined responsibilities, we ensure knowledge sharing and continuous improvement throughout the organisation.

Our commitment to R&D is reflected in our significant R&D spending. R&D costs for the group was EUR 43.9 million for 2018 compared to EUR 43.6 million in 2017. For more information about R&D in Mowi, please see the Research and development section.

## People

### HEALTH AND SAFETY

Mowi aims to have zero injuries among its staff. Employee safety and a healthy working environment are high on the Board's agenda, and safety will never be compromised for any other business priority. We foster a strong safety culture, in which our employees feel responsible

for their own safety as well as the safety of their colleagues. In order to achieve our safety vision of zero injuries, we utilize a global safety program, BrainSafe. New employees are required to attend training in BrainSafe, and training is also provided to selected suppliers and contractors. We measure our progress in the area of safety through key indicators - lost time incidents (LTI) per million hours worked, as well as the rate of absenteeism. We reported 134 LTIs for our own employees in 2018, compared to 155 in 2017. The decrease was due to a reduction in LTIs at Morpol and other plants in Consumer Products Europe. The number of LTIs per million hours worked in the Group was reduced from 6.6 in 2017 to 5.2 in 2018.

Compared to the industry average, our rate of absenteeism has remained low for several years. Our rate of absenteeism decreased from 5.2% in 2017 to 5.0% in 2018. The rate is higher in value-added processing operations than in farming and feed, which is largely attributable to ergonomic issues and stress. The Board continues to aim for an absentee rate of below 4%.

The Board will continue to emphasize the imperative of improved health and safety performance going forward. For more information about health and safety in Mowi, please see the People section.

### PEOPLE AND ORGANISATION

At the end of 2018, the Group had 14 537 employees in 25 countries around the world.

### DIVERSITY AND EQUAL RIGHTS

Mowi is committed to ensuring diversity in the Group, in accordance with the Norwegian Anti-Discrimination Act.

We strive to attract a diverse workforce and provide equal opportunities. We do not discriminate and we value everyone as an individual. The Group works actively in the area of recruitment including offering apprenticeships to young employees, as well as promotion and development opportunities. The Group also aims to attract female employees to all levels in our organisation.

The fish farming industry has traditionally had a majority of male employees. At the close of 2018, women accounted for 39.3 % of employees, compared to 41.2% in 2017.

In 2018, the senior management teams of most subsidiaries included one or more women. The Group continues to work actively to promote diversity in senior management positions globally. At the end of 2018, Mowi's Group Management team consisted of nine people, of whom two are women. Of the nine members of Mowi ASA's Board of Directors, four are women.

### Future Prospects

2018 marked the second-best year financially for Mowi. Good salmon prices and stable costs resulted in strong earnings and dividend

distributions. The outlook for 2019 is positive as the supply/demand market balance is favourable and forward prices are at good levels. Mowi's record high biomass in sea should facilitate significant farming volume growth and the company's improved cost position should support industry-leading margins going forward.

The Board commends the organisation for executing on the many cost-saving initiatives in 2018 and the achievement of EUR 61 million in realized annualized savings. The full saving effect will be realized in 2019. Many business units have experienced changed employee behavior, with the result of improved cost-conscious decision-making. The Board is pleased that the organisation has initiated a new global cost and procurement improvement program for 2019 with a target of EUR 30 million of savings per annum.

The total blended farming cost in box per kg was flat in 2018 versus 2017. Despite a high cost level for both Mowi and the industry, the Board is encouraged that the negative company cost trend seen in recent years has been broken. Furthermore, although feed prices increased slightly in 2018, non-feed related costs decreased, which is a positive sign.

Results in Farming Norway, Mowi's most important farming region, were good in 2018 as prices remained high and farming costs decreased. The Board is pleased that health-related costs continued to trend down and that the shift in treatment type towards non-medicinal is well underway. Biological conditions in Norway in 2018 were challenging and good farming husbandry at each site remains extremely important.

Results in Farming Scotland were reduced in 2018 as harvested volumes declined and farming costs increased. Contributions from contract sales were good, and contract sales should continue to support a healthy profit going forward. Biological performance improved in 2018 with reduced sea lice levels and reduced mortality rates. The biomass at year-end supports a substantial increase in harvesting volumes in 2019.

Results in Farming Canada were reduced in 2018 mainly due to increased farming costs. Biological performance was challenging in 2018 which was the main driver for increased costs in the period. The ongoing expansion initiatives on the East Coast will gain pace in 2019 and beyond. The Board is pleased that an agreement was reached on the West Coast with respect to the Broughton area and our salmon farming operations there. Our farms in the area are expected to cease operations by 2023 and Mowi Canada will apply for several licenses and tenure amendments. Hence the net volume impact is expected to be limited.

The farming operation in Chile continued to improve and delivered satisfactory results in 2018. Biology in Chile improved towards year-end 2018 mainly due to less SRS. The reduction in SRS outbreaks is mainly due to our new vaccination strategy which in turn has reduced mortality rates. Our usage of antibiotics has thus been significantly reduced, which is encouraging. The biomass at year-end supports an increase in harvesting volumes in 2019.

Farming Ireland delivered a good set of results in 2018. Organic salmon consistently achieves a significant price premium in the market. Harvest volumes are expected to increase in 2019. Farming Faroe Islands achieved decent results for 2018, however, negatively impacted by reduced price premium compared with 2017.

Overall operational performance in Feed was satisfactory in 2018 and the Norwegian feed plant set a new production record of 348,000 tonnes. The results were impacted by increased competition. The new plant in Kyleakin, Scotland, is nearing completion and is expected to commence trial production during spring 2019.

Notwithstanding increased competition in the Chilled European segment, the Board is pleased with the record high earnings in Consumer Products in 2018. In November Mowi announced the launch of a brand strategy and changed the company name from Marine Harvest to Mowi. The MOWI salmon will be fed with a superior feed and raised from selected MOWI farms in Norway. The branded product line will provide customers with added value in taste, convenience, nutrition and traceability. The Board is very excited about the many opportunities the branding strategy represents.

In 2019 Mowi will continue to invest across its value chain to support organic growth and strengthen the asset base. The capital expenditure budget for 2019 is approximately EUR 290 million. Freshwater investments continue and a new hatchery in Canada East and expansion of an existing smolt facility in Chile have been sanctioned. Ongoing investments in several freshwater facilities in Norway will continue. Selected sea water expansions in Scotland, Canada and Norway will also be undertaken. Furthermore, Consumer Products expects to undertake several automation projects in Europe and the US.

The year-end biomass in sea of 305,000 tonnes (LW) is record high and supports the harvest guidance of 430,000 tonnes in 2019. Mowi has significant potential to grow farming volumes further based on the existing license footprint. As such, expected working capital investments in the region of EUR 115 million relate to further biomass growth, as well as growth in Consumer Products and Feed.

In June the company completed a EUR 200 million 5-year senior unsecured bond issue at an attractive coupon rate of 3 months EURIBOR + 2.15% p.a. The bond issue complements Mowi's various sources of financing and supports the company's strategy for further growth ahead. The conversion of the EUR 340 million convertible bond to equity was completed towards the end of 2018. Further to this, Mowi partially refinanced the convertible bond by exercising the EUR 200 million accordion option of the bank facility, hence increasing the facility to EUR 1,406 million. The new accounting standard regarding leases (IFRS 16) is expected to increase total assets by approximately EUR 350 million and the equity ratio proforma year-end 2018 will as such be reduced from 56% to 52%. The group's bank facility has a covenant of 35% book equity ratio, but the calculation of the ratio is to be adjusted for the effects of IFRS 16.

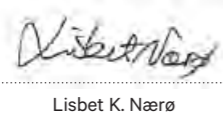
Growth in global salmon consumption was strong in 2018 as the value of salmon increased in all main markets. In general, developments in Europe continued the positive trend. In the US more and more salmon was sold as pre-packed, including skin-packed products, which Mowi has focused on in recent years since more retailers promote and offer pre-packed products across the US market. Furthermore, pre-packed products are sold at an increasing rate through the e-commerce channel which drives volume growth.

The market growth in Brazil was encouraging supported by more salmon sold in new areas of the country and into new channels where it has not previously been offered. Underlying demand growth in Asia is good. Mowi has a strong footprint in the South Korean market and the country stands out with its 30% consumption growth in 2018. The Board is also encouraged by the untapped potential in the Greater Chinese market.

BERGEN, MARCH 26, 2019



Ole-Eirik Lerøy  
Chair of the Board




Lisbet K. Nærø  
Vice Chair of the Board



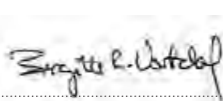
Cecilie Fredriksen



Paul Mulligan



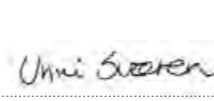
Jean-Pierre Bienfait



Birgitte Ringstad Vartdal



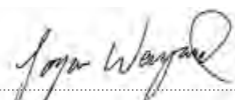
Kristian Melhuus



Unni Sværen



Anders Sæther



Jørgen Wenggaard



Alf-Helge Aarskog  
Chief Executive Officer



## Board of Directors



**Ole-Eirik Lerøy** (1959)  
**Chair**

Mr. Lerøy has been a board member of Mowi ASA since 2009. He is the Managing Director of the investment company Framar AS.

Number of shares held  
at year end: 1 500 332  
Number of options allotted  
at year end: 750 000

Mr. Lerøy has extensive experience in the seafood industry:

- Chair of the Board of Bergen Chamber of Commerce, 2015–2017
- Member of the Board of the International Groundfish Forum, 2000–2015
- Vice Chair of DNB Supervisory Board, 2006–2008
- Chair of the Norwegian Seafood Federation (FHL), 2000–2006
- Chair of the Board of the Norwegian Seafood Export Council (NSEC), 1994–2000
- CEO of Lerøy Seafood Group ASA, 1991–2008

Mr. Lerøy is educated at the Norwegian School of Management.



**Lisbet K. Nærø** (1963)  
**Deputy Chair  
Chair of the Audit Committee**

Ms. Nærø has been a board member of Mowi ASA since 2015 and is also the Chair of the Audit Committee. She is the CEO of Fana Sparebank.

Number of shares held  
at year end: 332

Ms. Nærø has comprehensive experience from banking and financial services:

- Chair of the Board of Bergen Chamber of Commerce, since 2017
- Member of the Board of the Holberg Funds, since 2012
- CEO of Tide ASA, 2011–2014
- CEO of BN Bank ASA, 2009–2011
- CFO of SpareBank 1 SR-Bank, 2006–2009
- CFO of Sparebanken Vest, 2003–2006
- CFO of BNR/Fjordline ASA, 2001–2003

Ms. Nærø holds a Master of Science of Business from the Norwegian School of Economics, a Bachelor of Law from the University of Bergen, MBA from the University of Central Florida and the Advanced Management Program from Harvard Business School.



**Kristian Melhuus** (1981)

Mr. Melhuus has been a board member of Mowi ASA since January 2018. He is a Director of the Seatankers Group.

Number of shares held  
at year end: 332

Mr. Melhuus has held various positions:

- Investment Director of HitecVision AS, 2013–2016
- CFO/COO of Liquid Barcodes AS, 2008–2013
- Analyst at ABG Sundal Collier, 2006–2008

Mr. Melhuus holds a Master of Science in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU), and has also studied Finance, Derivatives and Econometrics at the University of Karlsruhe.



**Cecilie Fredriksen** (1983)

Ms. Fredriksen has been a board member of Mowi ASA since 2008. She is an Executive Officer at Frontline Corporate Services Ltd.

Number of shares held  
at year end: 332

Ms. Fredriksen has served on several boards:

- Member of the Board of Norwegian Property ASA, since 2015
- Member of the Board of Ship Finance International Ltd., 2008–2015
- Member of the Board of Archer Ltd., 2008–2015
- Member of the Board of Northern Offshore Ltd., 2008–2015
- Member of the Board of Aktiv Kapital ASA, 2006–2015

Ms. Fredriksen holds a degree in Business and Science from London Metropolitan University.



**Paul Mulligan** (1969)

Mr. Mulligan has been a board member of Mowi ASA since 2016. He is co-owner and CEO of Liberty Coca-Cola Beverages LLC, a franchise partner of The Coca-Cola Company.

Number of shares held  
at year end: 332

Mr. Mulligan has more than 20 years of experience in the Coca-Cola Company:

- President of Coca-Cola Refreshments, North America, 2013–2018
- Member of the Board of the Retail Industry Leaders Association, 2014
- Member of the Boards of Tokyo Coca-Cola Bottling Company, the Tone Coca-Cola Bottling Company, Japan, and Solar Coca-Cola Bottling Company, Brazil, 2012–2013
- Region Director responsible for the Coca-Cola Company Bottling Investments Group's operations in Japan and Latin America, 2011–2013
- Several general management position in the Coca-Cola Hellenic Company, 1994–2008

Mr. Mulligan holds a degree in Economics from the University of Dublin and a Master in Accounting and Finance from the Dublin City University, and graduated from the Harvard Business School AMP (Advanced Management Program).



**Birgitte Ringstad Vartdal** (1977)  
**Member of the Audit Committee**

Ms. Vartdal has been a board member of Mowi ASA since 2016 and is also member of the Audit Committee. She is the CEO of Golden Ocean Management.

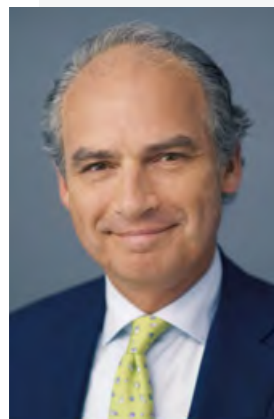
Number of shares held  
at year end: 332

Ms. Vartdal has held various positions:

- Member of the Board of Seadrill Ltd, since July 2018
- Member of the Corporate Assembly of Equinor ASA, since 2016
- Chair of the Board of Sevan Drilling Ltd, 2015–2016
- Member of the Board of Sevan Drilling ASA, 2013–2015
- CFO of Golden Ocean Management, 2010–2016
- Various positions, including Vice President Head of Commercial Controlling, Risk Manager and Financial Analyst, at Torvald Klavness Group, 2004–2010

Ms. Vartdal holds a Master of Science in Physics and Mathematics from the Norwegian University of Science and Technology, and a Master of Science in Financial Mathematics from Heriot-Watt University.

## Board of Directors



**Jean-Pierre Bienfait** (1963)

Mr. Bienfait has been a board member of Mowi ASA since 2016. He acts as Board member and advisor in primarily Food Retail, Foodservice and FMCG.

Number of shares held at year end: 332

Mr. Bienfait has over 25 years of experience in the global retail and food service industries and held a variety of leadership positions:

- CEO International at Siam Makro, responsible for Asian Expansion, 2016–2017
- International Expansion Director at Unilever, 2015–2016
- CEO at Estro Group, 2014–2015
- CEO of Metro Egypt and the Netherlands, 2008–2013
- Vice President Sales and Operations Metro China, 2004–2008
- CEO of Makro China, 2001–2004
- Sales & Operations Director Makro Colombia and Makro Indonesia, 1998–2001

Mr. Bienfait holds a Master of Law from Utrecht University, a Master of Business Administration from Columbia University and attended the Advanced Management Program at Harvard Business School.



**Jørgen Wenggaard** (1991)  
**Employee representative**

Mr. Wenggaard was elected to the Board of Directors as a representative of the employees in 2018. He is currently a fish farmer at Mowi Norway AS, Region South, and also hold Board positions in The Norwegian United Federation of Trade Unions (Fellesforbundet) and the Vocational Training Office for Fisheries.

Number of shares held at year end: 151

Mr. Wenggaard has been in the industry since 2007:

- Fish farmer at seawater site, since 2011
- Apprentice at freshwater site, 2007 - 2011

Mr. Wenggaard studied technical and general subjects (TAF Marin) at Fusa Vgs from 2007-2011. He holds the Certificate of completion as a fish farmer from 2011. In 2018 he completed the part-time course in Aquaculture Operations and Management at the Mowi University.



**Unni Sværen** (1971)  
**Employee representative**

Ms. Sværen was elected to the Board of Directors as a representative of the employees in 2016. She is Long-term Planner at Mowi Markets Norway.

Number of shares held at year end: 151

Ms. Sværen has been with the Company since 1996:

- Long-term Planner at Mowi Markets Norway, since 2005
- Value Chain Manager at Mowi Norway, 2001–2004
- Logistic and Planning Coordinator at Hydro Seafood, the company that that was acquired by Nutreco and later changed name to Mowi, 1996–2000

Ms. Sværen holds a Master of Science in Business from Bodø Graduate School of Business.



**Anders Sæther** (1971)  
**Employee representative**

Mr. Sæther was elected to the Board of Directors as a representative of the employees in 2018. He is Quality Manager at Mowi Norway AS, Region Mid.

Number of shares held at year end: 151

Mr. Sæther has worked in the company since 1999 and held various positions in both Mowi and Hydro Seafood:

- Quality Manager, 2002–2005 and since 2017
- Quality & Technical Manager, 2014–2017
- Quality & HSE Manager, 2005–2014
- Site Manager, 1999–2002

Mr. Sæther holds a Degree of Siv.Ing. (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU), Department of Production and Quality Engineering.

# Corporate Governance

Mowi ASA ("Mowi" or the "Company") considers good corporate governance a prerequisite for generating shareholder value, as well as achieving a low cost of capital and merit investor confidence. Mowi strives to ensure that its internal control mechanisms and management structures comply with generally accepted principles for good corporate governance.



Mowi follows the Norwegian Code of Practice for Corporate Governance (the "Norwegian Code"). A full description of the Norwegian Code is available from the Oslo Stock Exchange's website (oslobors.no).

The following sections explain how Mowi has addressed the various 15 issues covered by the Norwegian Code.

Mowi has reviewed our reporting on Corporate Governance based on the latest Code of Practice (17 October 2018). The company is fully compliant to the Norwegian Code, with the exception of section 14 regarding lack of explicit guidelines for dealing with takeover bids.

## 1. Implementation and Reporting of Corporate Governance Principles

The Board of Directors of Mowi (the "Board") is aware of its responsibility for the development and implementation of internal procedures and regulations to ensure that the Company and its subsidiaries (together, the "Group") complies with applicable principles for good corporate governance. The Board reviews the overall position of the Group in relation to such principles annually, and reports thereon in the Company's annual report in accordance with the requirements for listed companies and the Norwegian Code. The Board has defined the Group's overall vision as "Leading the Blue Revolution". Closely linked to the vision are the Group's global values "Passion", "Change", "Trust" and "Share".

- *Passion for the company and the product: passion is the key to our success and how we make a difference.*
- *Change is the new "normal": we are ready for change and work continuously to improve our operations.*
- *Trust is essential in everything we do: our operations provide safe, delicious and healthy food, and we deliver on our promises.*
- *Share is the foundation for the performance of our over 14 000 employees: We share knowledge and experience, we are open and transparent, and we cooperate with key stakeholders globally.*

Mowi's leadership principles were put in place to strengthen the link between individual management actions and our vision. Our leadership principles are:

- *Inspire people: we recruit the very best and build talent for the future. We strive to create winning teams and challenge people to succeed.*
- *Make it happen: we challenge existing thinking and promote change and innovation. We encourage people to propose solutions and learn from mistakes.*
- *Live the values: we want our leaders to be role models and build our culture; leaders should show direction and engage with stakeholders.*
- *Think and act: we want our leaders to think and act as if the company was their own. Leaders should do what is best for the company, bearing in mind short and long-term goals.*

The Group is made up of individuals with different backgrounds, nationalities, cultures and customs. Their conduct - what each and every employee does and says each day - determines the Group's ability to succeed as an organisation. The Code of Conduct sets standards for

behaviour that can be expected between colleagues, and that external parties can expect from employees of the Group. The Code of Conduct was updated in 2018. It has been communicated to employees, and it is expected that all employees make a personal commitment to abide by the Code of Conduct. Testing of each employee's understanding has been, and will continue to be, carried out regularly. The most recent test was performed in 2018. The Code of Conduct is available at Mowi.com.

Our four guiding principles underpin our vision and guide our behaviour in a balanced way. Growth must be sustainable from an environmental, social and financial perspective. We need good financial results to drive the sustainable development of our operations. This interdependency is the foundation for our four important guiding principles: "Profit", "Planet", "Product" and "People".

- *Profit: our profits hinge on our ability to provide customer value from healthy, tasty and nutritious seafood that is raised cost-effectively and in an environmentally sustainable way that maintains the aquatic environment and respects the needs of the wider society.*
- *Planet: our operations and long-term profitability ultimately depend on sustainable and environmentally responsible interactions with the natural environment. We rely on qualified personnel to maintain fish health, avoid escapes and minimise the environmental impact of our operations.*
- *Product: we aim to continually deliver healthy, tasty and responsibly-produced seafood to our customers to deliver long-term financial profitability.*
- *People: the safety, self-respect and personal pride of our employees cannot be compromised if Mowi is to succeed as a company and maintain good relationships with local communities.*

Mowi has defined specific ambitions for each principle, with corresponding key performance indicators. Defining targets is an integrated part of the budget and long-term planning processes, and achievements are reported in operational review meetings with the Business Units, and in business review meetings with the three Business Areas; Feed, Farming and Sales & Marketing. Development and implementation of best practice is achieved through the global quality system, Qmarine, which contains our standard operating procedures. In addition, a global set of policies has been drawn up to guide decisions, manage risk and achieve results. Mowi's governance and management structure is further described on the website at Mowi.com.

## 2. Business

Mowi's objective is defined in the company's articles of association: "The objective of the company is production, refinement, sale and distribution of seafood and goods used in seafood production, either directly or through participation in other companies and hereto-related activities."

The articles of association are available from the Group's website at Mowi.com. To achieve the objective set forth in the articles of association, the Board has adopted a corporate strategy whose ambitions and priorities lie within the framework of the Group's vision and four guiding principles. The vision "Leading the Blue Revolution" provides

direction and shows possibilities. The Group's overall ambition is to grow organically as well as through acquisitions. In 2018, Mowi completed the strategically important purchase of Northern Harvest, a salmon farmer located on the East Coast of Canada. At Mowi's Capital Markets Day in November, the company launched a brand strategy and the change of company name to Mowi. The company will launch the MOWI brand into selected markets starting in 2019. Our exciting branded product line will provide customers with added value in taste, convenience, nutrition and traceability. One important prerequisite for building a brand and gaining brand awareness, is to gain consumer trust. Through Mowi's integrated value chain, we believe that the company can differentiate the way our products are perceived, positioned and sold.

At present, growth is focused on the whole salmon value chain, from feed to fork. In line with this strategy, we open our second feed factory in Scotland in 2019. In Farming, the company aims to capitalize on the organic growth opportunities within the current license footprint, in addition to acquisitions such as Northern Harvest in Canada. In 2018, Mowi Norway also purchased increased farming capacity in 2018 under the amended fish farming regulations. To further support our farming activities, we established DESS Aquaculture Shipping AS in 2016 with the purpose of building, owning and operating aquaculture vessels. The first vessels commenced operations in 2018. In Consumer Products, our ambition is to become a seafood category leader, with strong focus on quality, innovation, brand building and excellent customer service. As we are aiming for growth in sales of value-added products, production capacity must also increase. In 2018, we opened new plants in Glommen, Sweden and Zaragoza, Spain. In addition, we expanded our plant in Ducktrap, Maine. Our first plant in China was launched in 2018 as part of the announcement of a strategic partnership between Mowi and Alibaba in the Chinese market.

The material aspects of the four guiding principles are systematically assessed at regular intervals by the Group Management Team. The process of defining material aspects is discussed in the section "Leading the Blue Revolution". The ambitions and the priorities set to achieve them are regularly reviewed and revised by the Board. Through its annual discussion of the long-term plan, the Board sets the targets for the Group for the following five years. Many of the targets are discussed in the relevant sections of this Integrated Annual Report.

### 3. Equity and Dividends

The shareholders' equity as of December 31, 2018 was EUR 2 877.2 million (2 314.2 million), which represents 56.0% (53.5%) of the Group's total assets. Mowi ASA's objective is to maintain an equity level that is appropriate for the company's strategy and risk profile. The Board's ambition is that Mowi ASA's shareholders will achieve a competitive return on their investment over time, through a combination of dividends and an appreciation of the value of the company's shares. The Board has defined the following long-term dividend policy:

- *The quarterly dividend level shall reflect the Company's present and expected future cash flow generation of the company.*

- *To this end, a target level for net interest-bearing debt is determined, reviewed and updated on a regular basis.*
- *When the target is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.*

To facilitate quarterly distribution of dividends in an efficient and cost effective manner, the Board seeks a general authorisation from the General Meeting to distribute dividends. Such authorisations shall, however, be limited to a maximum aggregate amount, and limited in time to the next Annual General Meeting ("AGM"). At the 2018 AGM, the Board was granted the following authorisations:

- *To approve the distribution of dividends based on the Company's annual accounts for 2017. The authority may be used to approve the distribution of dividends up to an aggregate amount of NOK 7 500 000 000. The authority is valid for dividends from and including the second quarter of 2018 until the AGM in 2019, though no later than June 30, 2019.*
- *To purchase up to 49 016 777 shares in the Company (representing 10% of the shares in issue at the time) during the period up until the AGM in 2019, though no later than June 30, 2019.*
- *To increase the Company's share capital by up to 49 016 777 shares (representing 10% of the shares in issue at the time). The authority did not define the purpose(s) of such a capital increase. The authority expires at the AGM in 2019, though no later than June 30, 2019.*
- *To take up convertible bond loans of up to NOK 3,200 million (par value), convertible to a share capital equivalent by up to 49 016 777 shares, but in no event with an amount that exceeds 10% of the company's share capital at the date of the AGM in 2019. The authority expires at the AGM in 2019, though no later than June 30, 2019.*

### 4. Equal Treatment of Shareholders and Transactions with Related Parties

Mowi ASA has one class of shares.

Any purchase or sale by the Company of its own shares will be carried out either through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Mowi also has American Depositary Shares (ADSs) represented by American Depositary Receipts (ADRs), traded in the US over-the-counter.

Any transaction between the Company and a related party will be on arm's length terms or, if relevant, will rest on a valuation obtained from an independent third party. Mowi ASA will make sure that major transactions with related parties are approved by the AGM in accordance with the Norwegian Public Limited Liability Companies Act.

The Board is currently authorised to set aside the pre-emption rights of existing shareholders in capital increases if it exercises its authority to issue new shares, cf. above. This is to simplify the procedure in connection with capital increases to finance further growth and/or the

offering of shares as consideration in acquisitions where this is deemed a favourable form of settlement. Members of the Board and the Global Management Team have an obligation, pursuant to the Company's Code of Conduct, to disclose to the Board any material interest in transactions to which the Group is a party. The Code of Conduct is available at Mowi.com.

### 5. Freely Negotiable Shares

All shares in the Company have equal rights and may be traded freely. Mowi also has American Depositary Shares (ADSs) represented by American Depositary Receipts (ADRs), traded in the US over-the-counter.

### 6. General Meetings

The interests of the company's shareholders are primarily exercised at the company's general meetings. It is the company's goal that as many shareholders as possible are given the opportunity to participate in its general meetings and that the general meetings are organised so as to ensure that they represent an effective forum for the company's shareholders to express their views.

Notices of general meetings are made available on the company's website, Mowi.com, and through a separate notice to the Oslo Stock Exchange at least 21 days in advance of the general meeting.

All shareholders with a known address are notified of general meetings a minimum of two weeks in advance. The notice contains detailed information on the resolutions proposed and matters to be considered at the general meeting. It includes the deadline for shareholders to register their intention to attend the general meeting, as well as instructions on how they can cast their votes by proxy. The deadline for registration is set as close to the date of the general meeting as possible.

When documents concerning matters that are to be dealt with at a general meeting have been made accessible to the shareholders on the company's website, the requirement stipulated by the Norwegian Public Companies Act that the documents shall be sent to shareholders by ordinary mail does not apply. This also applies to documents which, according to law, shall be included in or enclosed with the notice of a general meeting. A shareholder can, however, demand that documents concerning matters that are to be dealt with at a general meeting be sent to him or her by ordinary mail.

The notice of a general meeting shall contain a reference to the company's website, where shareholders can access relevant documents and, if appropriate, any other information that shareholders may need to gain access to such documents. The Chair of the Board, the CEO and the external auditor shall all be present at the AGM. Mowi does not have a policy that requires the other members of the Board to attend the AGM.

The AGM elects a chair to preside over the meeting and one person to sign the minutes of the meeting together with the elected chair. The minutes are published on the company's website.

The AGM approves the annual financial statements and annual report, the Board of Directors' report and any proposed dividend. The AGM also approves the remuneration to be paid to the members of the Board, the Nomination Committee (as defined below) and the external auditor.

Other items on the agenda for the AGM may include authorization for the Board to acquire the Company's shares and to increase the company's share capital, to take up loans convertible into shares, and the election of the members of the Board and the Nomination Committee (please refer to section 3 Equity and Dividends).

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board has implemented guidelines for the determination of the remuneration payable to the company's CEO and other senior executives. These guidelines are tabled for resolution at the AGM.

All shares carry an equal right to vote at general meetings. Resolutions at AGMs are normally passed by simple majority unless otherwise required by Norwegian law.

The Annual General Meeting was held on May 30, 2018. Furthermore, an Extraordinary General Meeting was held on January 15, 2018 to appoint a new board member, and an Extraordinary General Meeting was held on December 4, 2018 to approve the name change of the company to Mowi ASA. Relevant documents are available on the company's website Mowi.com.

### 7. Nomination Committee

The AGM elects the company's nomination committee (the "Nomination Committee"). The Nomination Committee consists of three members, and the majority of the committee are independent of the Board and the company's executive management. The current members of the Nomination Committee are: Robin Bakken (Chair), Nils Bastiansen and Merete Haugli. The Nomination Committee submits its recommendations to the AGM regarding the election of members to the Board and the Nomination Committee and their respective remuneration.

The general meeting has approved a set of instructions defining the responsibilities of the Nomination Committee. These instructions are available at Mowi.com. All shareholders are invited to propose candidates to the Board and the Nomination Committee through the company's website.

### 8. Corporate Assembly and Board of Directors: Composition and Independence

The company does not have a corporate assembly.

According to the company's articles of association, the company shall have a Board consisting of a minimum of six and a maximum of 12 members. The Chair of the Board and the Deputy Chair of the Board are both elected by the general meeting based on a proposal from the Nomination Committee, as are the other members representing the



shareholders. Board members are elected for a period of one or two years at a time. In order to ensure continuity, not all seats on the Board come up for election in the same year.

At present, the Board consists of ten members, of which seven are elected by the general meeting and three are representatives of the employees in Norway. All Board members are considered independent of the company's executive management and material business partners. More than the minimum required of two Board members, including the Chair of the Audit Committee, elected by the shareholders are independent of the Company's largest shareholders. No executives are members of the Board.

The members of the Board are presented in this Integrated Annual Report. The shareholdings of Board members are listed in Note 24. The Board is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner.

## 9. The Work of the Board of Directors

According to the Norwegian Public Limited Liability Companies Act, the Board has overall responsibility to oversee the management of the company, while the CEO is responsible for day-to-day management. The Board is responsible for ensuring that the Group's activities are soundly organized, and for approving all plans and budgets for the activities of the Group. The Board approves a statement of the CEO's duties, responsibilities and authorizations.

The Board keeps itself informed about the Group's activities and financial situation, and is under an obligation to ensure that its activities, financial statements and asset management are subject to adequate control through the review and approval of the Group's monthly and quarterly reports and financial statements. The Board shall also ensure that the Group has satisfactory internal control systems.

The CEO is in charge of the day-to-day management of the Group, and is responsible for ensuring that the Group is organised in accordance with applicable laws, the company's articles of association and the decisions adopted by the Board and the company's general meeting. The CEO has particular responsibility for ensuring that the Board receives accurate, relevant and timely information in order to enable it to carry out its duties. The CEO shall also ensure that the Group's financial statements comply with Norwegian legislation and regulations and that the assets of the company are soundly managed.

The Board has formally assessed its performance and expertise in 2018 as recommended by the Norwegian Code.

The Board conducted 21 meetings during 2018, of which seven were held in person. The attendance rate was 97% in all the meetings. In 2018 the Board continued to spend significant time on the strategic positioning of the company following the decision to transform the Group from a production-driven farming company into an integrated producer of protein from the ocean.

The Board has chosen not to appoint a remuneration committee. Matters relating to the remuneration of executive personnel are discussed by the Board without presence of the CEO or other management representatives.

The Board has one subcommittee: The Audit Committee.

### THE BOARD'S AUDIT COMMITTEE

The Board's Audit Committee consists of two members: Lisbet K. Næro (Chair) and Birgitte Ringstad Vartdal (the "Audit Committee").

The responsibility of the Audit Committee is to monitor the company's financial reporting process and the effectiveness of its systems for internal control and risk management. The Audit Committee shall also keep in regular contact with the company's auditor regarding the auditing of the annual accounts, and shall evaluate and oversee the auditor's independence. The Audit Committee reviews ethical and compliance issues. The members of the Audit Committee are deemed to be independent of the company's management. The Audit Committee reports to the Board. The Audit Committee conducted seven meetings during 2018.

The Audit Committee has formally assessed its performance and expertise in 2018 as part of the Board's assessment.

## 10. Risk Management and Internal Control

The Board and management attach great importance to the quality of the Group's risk management and internal control systems. Risk management and internal control systems are important to enable the Group to meet its strategic goals. These systems form an integrated part of management's decision-making processes and are central elements in the organisation of the Group and the development of routines.

By means of a materiality assessment we have identified areas of opportunity and risk that could influence our ability to achieve our goals and deliver on our strategy.

Risk management is what the company does to manage risk in order to provide reasonable assurance to stakeholders that it will achieve its goals. The COSO enterprise risk framework, dividing risk into four categories is applied:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

As the company considers its operational risk to cover several individually important sub categories of risk, a more detailed risk categorization has been chosen. The operational risk category therefore includes the following sub categories:

- a. Risks related to the sale/supply of our products
- b. Risks related to governmental regulations

- c. Risks related to our fish farming operations
- d. Risks related to our supply of fish feed and feed operations
- e. Risks related to our industry
- f. Risks related to our business
- g. Risks related to our financial arrangements
- h. Risks related to tax and legal matters
- i. Risks related to climate change

The company believes that this risk categorization addresses the main risk areas that could influence the ability to deliver on the strategy. The company works continuously to mitigate identified risks and capitalize on opportunities by tracking and following up key performance indicators within the framework of the guiding principles. The company believes that the long-term success depends on its ability to manage the risks associated with its operations, strategy, reporting and compliance.

For more detailed descriptions of the risks associated with the company's operations, please see the section Risk Management and the sections Profit, Planet, Product and People. For a more detailed description of the risks related to the financing arrangements, please refer to the Board of Directors report and Note 13 to the Group financial statements.

A continuous risk management process, including analysis, management and follow-up of significant risks, is performed to ensure that the Group is managed in accordance with the risk profile and strategies approved by the Board. This process encompasses the Group's guiding principles and ethical guidelines. The Board reviews the Group's overall risk profile in relation to strategic, operational and transaction-related issues at least once every year. The status of the overall risk situation is reported and discussed with the Board in connection with the annual budget process. The Audit Committee assists the Board and functions as a preparatory body with regards to surveillance of the company's systems for internal control, internal audit and risk management.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board and Group management are responsible for establishing and maintaining adequate internal control over financial reporting. The process for internal control is developed under the supervision of the Chief Financial Officer. The process is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's Financial Statements for external reporting purposes in accordance with International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU IFRS) and the Norwegian Accounting Act.

The Audit Committee monitors financial reporting and its related internal controls, including application of accounting principles and informed judgments. Group management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to financial reporting.

Financial reporting in Mowi is an integrated part of the Group's corporate governance. Distinct roles, responsibilities and duties have

been established. Requirements with regard to content and deadlines, including accounting policies, checks and validations, have been clearly defined. A key element in the financial reporting process is risk assessment. A risk assessment is performed at least annually, and key controls and control procedures are established to mitigate identified risks. Compliance is reported to the Audit Committee. The Group's applied accounting principles are described in an online accounting manual.

All Business Units periodically upload their financial statements into a common consolidation system, based on a common chart of accounts. All subsidiaries are responsible for the accuracy of their reported figures and for ensuring that their financial reporting is in compliance with the Group's accounting principles. In addition, general and analytical controls of the reported figures are performed at corporate level.

Additional information is disclosed in connection with quarterly and annual reporting. Extended controls are carried out as part of the quarterly and the year-end reporting processes.

The Group has sufficient expertise to complete proper and efficient financial reporting in accordance with IFRS and the Norwegian Accounting Act.

### CODE OF CONDUCT AND ETHICAL GUIDELINES

The Code of Conduct describes Mowi ASA's commitment and requirements in connection with ethical issues relevant to business practice and personal conduct. Mowi ASA will, in its business activities, comply with applicable laws and regulations, and act in an ethical, sustainable and socially responsible manner. The Code of Conduct has been communicated to employees, and each employee is expected to make a personal commitment to abide by the Code of Conduct. The third-party-operated whistleblower channel facilitates the reporting of concerns about potential violations of the law and breaches of Mowi's Code of Conduct in all areas. In 2018 nine incidents were reported through this channel. Eight of the cases are closed, one is currently being investigated in collaboration with Human Resources. None of the reported cases are related to corruption.

Mowi has also established a group-wide policy to combat fraud and corruption as part of its risk management, internal control and corporate governance process. The internal audit function, which is outsourced to a professional audit firm (PwC until 2018, and KPMG from 2019), also has a specific focus on fraudulent and unethical behavior.

## 11. Remuneration of the Board of Directors

Remuneration for the members of the Board is determined by the AGM based on a proposal from the Nomination Committee. The remuneration reflects the Board's responsibility, expertise, time, commitment and the complexity of the Company's activities. Remuneration is not linked to the Company's performance. All members of the Board, with the exception of the Chair, the Deputy Chair and Paul Mulligan, receive the same remuneration. The members of the Audit Committee receive separate, additional remuneration. The fee paid to the members of the Board is

fixed for each 12-month period (from AGM to AGM). The remuneration paid to members of the Board is disclosed in Note 14 to the Mowi ASA financial statements.

## 12. Remuneration of Executive Management

The Board of Mowi ASA determines the principles applicable to the Group's policy for compensation of senior executives. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the Chair of the Board, responsible for determining the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of each Business Area as well as the senior members of the corporate staff.

The following guidelines underpin the determination of compensation payable to the Group's senior executives:

- *The total compensation offered to senior executives shall be competitive, both nationally and internationally.*
- *The compensation shall contain elements providing necessary financial security following termination of the employment relationship, both before and after retirement.*
- *The compensation shall be motivating, both for the individual and for the senior executives as a group.*
- *Variable elements in the overall compensation package shall be linked to the value generated by the Group for Mowi ASA's shareholders.*
- *The system of compensation shall be understandable and meet general acceptance internally in the Group, among the company's shareholders and with the public.*
- *The system of compensation shall be flexible and contain mechanisms that make it possible to carry out individual adjustments based on the results achieved and contributions made towards the development of the Group.*

Remuneration of the company's CEO and the executive management team is disclosed in Note 14 to the Mowi ASA financial statements. In compliance with the Norwegian Public Limited Liability Companies Act, the Board prepares a statement regarding the remuneration of the executive management team for consideration by the AGM. The remuneration package for corporate executive staff consists of the following main elements:

- *Fixed salary*
- *Benefits-in-kind*
- *Pension*
- *Termination payment*
- *Bonus*

In addition, the Group has a Share Option Scheme ("Scheme") for key employees. The Scheme is limited to two years' salary for each individual. The details of the Scheme are described in Note 14 to the Mowi Group Financial Statements, and in Note 14 to the Mowi ASA financial statements.

## 13. Information and communications

The company publishes its financial calendar every year, identifying the dates on which it will present its quarterly reports, Annual Report and when the AGM will be held.

All information concerning major events and acquisitions is publicly disclosed in line with the requirements of the Oslo Stock Exchange, and posted on the Company's website (Mowi.com). All financial reports and other information are prepared and disclosed in such a way as to ensure that shareholders, investors and others receive correct, clear, relevant and up-to-date information equally and in a timely manner.

The Company holds public presentations of its results quarterly.

The Board has formalized guidelines for dialogue with the company's shareholders outside the AGM. Mowi ASA is entitled by the Norwegian Securities Trading Act to publish all information (including its annual financial statements) in English only.

## 14. Takeovers

The Board will not seek to hinder or obstruct any public bid for the company's activities or shares unless there are particular reasons for doing so. In the event of a takeover bid for the company's shares, the Board will not exercise mandates or pass any resolutions with the intention of obstructing the takeover bid, unless this is approved by the company's general meeting following the announcement of such a bid.

The Board acknowledges that it has a particular responsibility to ensure that the company's shareholders are given sufficient information and time to form a view of any public offer for the company's shares. If an offer is made for a significant and controlling stake of the shares, the Board will issue a statement evaluating the offer and will make a recommendation as to whether or not shareholders should accept it.

The Board has not established explicit guiding principles for dealing with takeover bids as recommended by the Norwegian code.

## 15. Auditor

The company's elected external auditor is EY. The auditor is independent of Mowi ASA and is appointed by the AGM. The auditor's fee is approved by the AGM.

The auditor presents a plan to the Audit Committee for the audit, and is present at Board meetings dealing with the preparation of the annual accounts where the audited financial statements are reviewed and approved. The auditor is also present at all meetings with the Audit Committee.

When evaluating the independent auditor, emphasis is placed on the firm's competence, capacity, local and international availability and the level of the fee expected.

The auditor submits a summary document to the Audit Committee and the Board following its audit of the Group's and the company's annual financial statements. The summary document, in addition to describing the audit review, includes an evaluation of the Group's internal control systems.

The Board and the Audit Committee hold regular meetings with the auditor without the presence of management. The auditor also participates in the AGM. Information about the fee paid to the auditor is stated in Note 32 to the Group financial statements. The independent auditor's remuneration is split between the audit fee, other authorization services, tax advisory services and other non-audit related services. To the extent that the auditor provides services other than the regular audit, this is discussed separately on a case-by-case basis, to ensure that there are no conflicts of interest.

## Special note

### Regarding forward - looking statements

This annual report contains forward-looking statements that reflect our current expectations and views of future events. Some of these forward-looking statements can be identified by terms and phrases such as “anticipate,” “should,” “likely,” “foresee,” “believe,” “estimate,” “expect,” “intend,” “continue,” “could,” “may,” “plan,” “project,” “predict,” “will” and similar expressions. These forward-looking statements include statements relating to:

- our goals and strategies;
- our plans with respect to construction and opening of new production facilities, such as the feed plant in Scotland and the expected cost, capacity and timing for such projects;
- our plans with respect to the aquaculture shipping associated company;
- our ability to increase or otherwise vary our harvest volume in the short or long term and our expected investments in working capital;
- the expected trends in global demand for seafood;
- our expected sales of fish feed;
- the expected trends in consumer preferences;
- capacity to expand salmon farming in Norway or elsewhere;
- the expected trends in the seafood industry, globally and regionally;
- the expected trends in human population growth;
- the expected trends in income growth in emerging markets;
- our ability to control or mitigate biological risks, including fish diseases and sea lice, through the use of vaccines, treatment or otherwise, and other risks to our fish stocks;
- expected developments in the cost and availability of fish feed ingredients;
- climate change;
- our dividend policy;
- updates with respect to our legal proceedings;
- our expected capital expenditures and commitments;
- our ability to maintain access to and produce quality fish feed;
- future movements in the price of salmon and other seafood;
- our ability to effectively manage the impact of escapes and predation on our stock;
- our ability to continue to develop new and attractive high quality products;

- our ability to overcome any interruptions to the operations of our farms, our feed plant or our primary or secondary processing facilities;
- our expected biological costs;
- our expected investments, including our project pipeline and other expansion efforts;
- competition in our industry and from other protein sources, such as beef, pork and chicken;
- the prospects of the Chilean and North American salmon industry;
- our restructuring efforts;
- our research and development plans and expectations; and
- developments in, or changes to, the laws, regulations and governmental policies governing our business and industry, including the developments with respect to licenses.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, such factors are described in the relevant sections in this Integrated Annual Report.

These forward-looking statements speak only as of the date of this annual report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The factors set forth in Risk and Risk Management could cause our actual results to differ materially from those contemplated in any forward-looking.

# Mowi Group

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## STATEMENT OF COMPREHENSIVE INCOME

MOWI GROUP (EUR MILLION)	NOTE	2018	2017
Revenue		3 749.8	3 626.1
Other income		62.1	23.3
<b>Revenue and other income</b>	4/5	<b>3 811.9</b>	<b>3 649.4</b>
Cost of materials	7/33	-1 812.2	-1 688.5
Net fair value adjustment biomass	6	146.4	-340.3
Salary and personnel expenses	14	-505.0	-477.9
Other operating expenses	28	-589.9	-555.0
Depreciation and amortization	9/10	-153.4	-150.4
Onerous contracts provision	30	-6.1	119.8
Restructuring costs	30	0.3	-2.5
Other non-operational items	27	-1.0	0.3
Income/loss from associated companies and joint ventures	21	45.5	33.7
Impairment losses	9/10	-11.0	-103.8
<b>Earnings before financial items (EBIT)</b>		<b>925.4</b>	<b>484.9</b>
Interest expenses	12	-50.0	-46.7
Net currency effects	12	-17.7	-8.8
Other financial items	12	-125.5	93.2
<b>Earnings before taxes</b>		<b>732.2</b>	<b>522.6</b>
<b>Income taxes</b>	15	<b>-165.0</b>	<b>-59.9</b>
<b>Net earnings from continuing operations</b>		<b>567.2</b>	<b>462.7</b>
<b>Profit after tax from discontinued operations</b>		<b>—</b>	<b>—</b>
<b>Profit or loss for the year</b>		<b>567.2</b>	<b>462.7</b>
<b>Other comprehensive income</b>			
Currency translation differences		1.7	-192.6
Currency translation associated companies and joint ventures		-2.3	-12.1
<b>Total items to be reclassified to profit or loss in subsequent periods</b>		<b>-0.6</b>	<b>-204.7</b>
Actuarial gains (losses) on defined benefit plans net of tax	15	0.2	5.3
Other gains and losses in comprehensive income		—	-0.8
<b>Total items not to be reclassified to profit or loss</b>		<b>0.2</b>	<b>4.5</b>
<b>Total other comprehensive income</b>		<b>-0.4</b>	<b>-200.3</b>
<b>Comprehensive income for the year</b>		<b>566.8</b>	<b>262.5</b>
<b>Profit or loss for the year attributable to</b>			
Non-controlling interests		0.6	0.3
Owners of Mowi ASA		566.6	462.5
<b>Comprehensive income for the year attributable to</b>			
Non-controlling interests		0.6	0.3
Owners of Mowi ASA		566.2	262.2
<b>Earnings per share - basic (EUR)</b>	25	<b>1.15</b>	<b>0.97</b>
<b>Earnings per share - diluted (EUR)</b>	25	<b>1.15</b>	<b>0.86</b>
<b>Earnings per share for continuing operations - basic (EUR)</b>	25	<b>1.15</b>	<b>0.97</b>
<b>Earnings per share for continuing operations - diluted (EUR)</b>	25	<b>1.15</b>	<b>0.86</b>

## STATEMENT OF FINANCIAL POSITION

MOWI GROUP (EUR MILLION)	NOTE	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Licenses	8/9	781.4	615.2
Goodwill	8/9	289.3	255.7
Deferred tax assets	15	22.9	13.1
Other intangible assets	9	26.2	26.1
<b>Total intangible assets</b>		<b>1 119.8</b>	<b>910.1</b>
Property, plant and equipment	10	1 216.1	1 082.7
Investments in associated companies and joint ventures	21	220.6	170.7
Other non-current financial assets	12	0.4	0.4
Other non-current assets		1.2	2.9
<b>Total non-current assets</b>		<b>2 558.1</b>	<b>2 166.7</b>
<b>Current assets</b>			
Inventory	7	285.5	306.9
Biological assets	6	1 559.3	1 200.5
Trade receivables	17	493.3	477.6
Other receivables	17	142.8	99.1
Other current financial assets	12	0.8	7.2
Restricted cash	16	11.4	12.6
Cash in bank	16	93.9	59.1
<b>Total current assets</b>		<b>2 587.1</b>	<b>2 163.0</b>
Assets held for sale	22	—	0.5
<b>Total assets</b>		<b>5 145.1</b>	<b>4 330.3</b>

Mowi GROUP (EUR MILLION)	NOTE	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital and reserves attributable to owners of Mowi ASA	24	2 877.2	2 314.2
Non-controlling interests	23	1.7	1.2
<b>Total equity</b>		<b>2 879.0</b>	<b>2 315.4</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	413.6	353.9
Non-current interest-bearing debt	11	1 142.5	773.3
Other non-current financial liabilities	12	—	75.9
Other non-current liabilities	20	11.0	12.0
<b>Total non-current liabilities</b>		<b>1 567.1</b>	<b>1 215.2</b>
<b>Current liabilities</b>			
Current tax liabilities	15	120.1	90.8
Current interest-bearing debt	11/18	0.1	130.3
Trade payables	18	280.2	280.9
Other current financial liabilities	12	77.3	91.8
Provisions	30	13.0	9.4
Other current liabilities	18	208.5	196.5
<b>Total current liabilities</b>		<b>699.1</b>	<b>799.7</b>
<b>Total equity and liabilities</b>		<b>5 145.1</b>	<b>4 330.3</b>

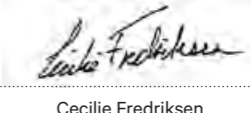
BERGEN, MARCH 26, 2019




Ole-Eirik Lerøy  
Chair of the Board



Lisbet K. Nærø  
Vice Chair of the Board



Cecilie Fredriksen



Paul Mulligan



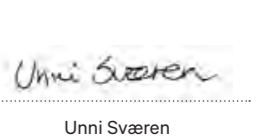
Jean-Pierre Bienfait



Birgitte Ringstad Vartdal



Kristian Melhuus



Unni Sværen  
Employee representative



Anders Sæther  
Employee representative



Jørgen Wengard  
Employee representative



Alf-Helge Aarskog  
Chief Executive Officer

## STATEMENT OF CHANGES IN EQUITY

MOWI GROUP (EUR MILLION)	ATTRIBUTABLE TO OWNERS OF Mowi ASA							NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	SHARE BASED PAYMENT	FOREIGN CURRENCY TRANSLATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE ASSOCIATED COMPANIES	OTHER EQUITY	TOTAL		
2018									
<b>Equity 01.01.18</b>	<b>383.8</b>	<b>931.5</b>	<b>5.4</b>	<b>51.3</b>	<b>-5.2</b>	<b>947.3</b>	<b>2 314.2</b>	<b>1.2</b>	<b>2 315.4</b>
<b>Comprehensive income</b>									
Profit	—	—	—	—	—	566.6	566.6	0.6	<b>567.2</b>
Other comprehensive income	—	—	—	30.5	-2.3	-28.6	-0.4	—	<b>-0.4</b>
<b>Transactions with owners</b>									
Share-based payment	—	—	0.5	—	—	-5.2	-4.7	—	<b>-4.7</b>
Dividend	—	—	—	—	—	-532.4	-532.4	—	<b>-532.4</b>
Bond conversion	20.1	319.5	—	—	—	194.2	533.8	—	<b>533.8</b>
<b>Total equity 31.12.18</b>	<b>404.0</b>	<b>1 251.0</b>	<b>5.9</b>	<b>81.8</b>	<b>-7.5</b>	<b>1 141.9</b>	<b>2 877.2</b>	<b>1.7</b>	<b>2 879.0</b>

Dividend declared and paid of NOK 10.40 per share in 2018.

MOWI GROUP (EUR MILLION)	ATTRIBUTABLE TO OWNERS OF Mowi ASA							NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	SHARE BASED PAYMENT	FOREIGN CURRENCY TRANSLATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE ASSOCIATED COMPANIES	OTHER EQUITY	TOTAL		
2017									
<b>Equity 01.01.17</b>	<b>351.8</b>	<b>657.5</b>	<b>4.6</b>	<b>209.8</b>	<b>6.9</b>	<b>837.7</b>	<b>2 068.4</b>	<b>0.9</b>	<b>2 069.3</b>
<b>Comprehensive income</b>									
Profit	—	—	—	—	—	462.5	462.5	0.3	<b>462.7</b>
Other comprehensive income	—	—	—	-158.5	-12.1	-29.6	-200.3	—	<b>-200.3</b>
<b>Transactions with owners</b>									
Share-based payment	—	—	0.8	—	—	-5.5	-4.7	—	<b>-4.7</b>
Repayment of paid-in capital	—	-322.5	—	—	—	-317.8	-640.3	—	<b>-640.3</b>
Bond conversion	32.0	596.5	—	—	—	—	628.5	—	<b>628.5</b>
<b>Total equity 31.12.17</b>	<b>383.8</b>	<b>931.5</b>	<b>5.4</b>	<b>51.3</b>	<b>-5.2</b>	<b>947.3</b>	<b>2 314.2</b>	<b>1.2</b>	<b>2 315.4</b>

Dividend declared and paid NOK 12.40 per share in 2017.

## STATEMENT OF CASH FLOW

MOWI GROUP (EUR MILLION)	NOTE	2018	2017
<b>Cash flow from operations</b>			
Earnings before taxes		732.2	522.6
Interest expenses	12	50.0	46.7
Net currency effects	12	17.7	8.8
Other financial items	12	125.5	-93.2
Impairment losses, depreciation and amortization	9/10	164.4	254.2
Net fair value adjustment on biological assets and onerous contracts	6/30	-140.2	220.5
Income from associated companies	21	-45.5	-33.7
Taxes paid	15	-129.8	-177.4
Change in inventory, trade payables and trade receivables		-147.7	-94.7
Restructuring and other provisions		-2.4	-18.6
Other adjustments		-3.4	-2.8
<b>Cash flow from operations</b>		<b>620.9</b>	<b>632.4</b>
<b>Cash flow from investments</b>			
Sale of fixed assets		6.5	6.2
Purchase of fixed assets and additions to intangible assets	4	-346.2	-254.9
Proceeds and dividend from associates and other investments		29.0	34.7
Purchase of shares and other investments		-253.1	-20.7
<b>Cash flow from investments</b>		<b>-563.7</b>	<b>-234.7</b>
<b>Cash flow from financing</b>			
Proceeds from new interest-bearing debt (current and non-current)	11	534.8	308.2
Down payment of interest-bearing debt (current and non-current)	11	—	-42.0
Interest received		3.0	1.0
Interest paid		-41.4	-28.5
Realized currency effects		14.1	-17.1
Dividend <sup>1)</sup>		-532.4	-640.3
Other financing items		—	-6.7
<b>Cash flow from financing</b>		<b>-22.0</b>	<b>-425.5</b>
Currency effects on cash		-0.3	-1.1
<b>Net change in cash in period</b>		<b>34.9</b>	<b>-28.9</b>
Cash - opening balance		59.1	88.0
<b>Cash - closing balance total</b>	16	<b>94.0</b>	<b>59.1</b>

<sup>1)</sup> Repayment of paid in capital in 2017

## NOTE 1 - GENERAL INFORMATION

Mowi ASA is a Norwegian company headquartered at Sandviksboder 77A/B, 5035 Bergen. Mowi ASA is a publicly listed company on the Oslo Stock Exchange, with the ticker symbol MOWI. Mowi ASA is the new name effective from January 2, 2019 for the company previously named Marine Harvest ASA with ticker symbol MHG.

The Group's operations are described in Note 4. Mowi has operations in 25 countries and has structured its operations in three Business Areas: Feed, Farming and Sales & Marketing. The Feed factories are located in Norway and Scotland. The Group's farming activities are located in

Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands. Sales & Marketing comprises the global market organisation, in addition to Consumer Products.

Comparable information for one year is presented in this years Annual Report, as oppose to two years in the previous years Annual Reports.

The financial statements were authorized by the Board of Directors on March 26, 2019.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all periods presented.

### STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

As of December 31, 2018, the consolidated financial statements of Mowi ASA and its subsidiaries ("the Group" or "Mowi") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. In compliance with the Norwegian Accounting Act, additional disclosures are included in the notes to the financial statements of Mowi ASA.

New standards and amendments adopted by the Group in 2018 are described in Note 34. At the end of 2018, new standards and changes to existing standards and interpretations have been enacted but are not yet effective. Relevant effects for Mowi are further described in Note 34.

The consolidated financial statements have been prepared on the historical cost basis, except when IFRS requires recognition at fair value. This relates to the measurement of certain financial instruments and valuation of the biomass as further described below. The reporting period follows the calendar year.

### CONSOLIDATION

Consolidated financial statements present the Group's financial position, comprehensive income, changes in equity and cash flow. All intragroup transactions, receivables and liabilities are eliminated. Unrealized gains from intragroup transactions are eliminated. Unrealized losses from intragroup transactions are also eliminated, but are considered an indicator of impairment with respect to the asset transferred.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

### Subsidiaries

The Group's consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2018. Control is achieved when the Group is exposed, or is entitled, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- *Power over the investee (i.e., existing rights that enable the Group to direct the relevant activities of the investee).*
- *Exposure, or rights, to variable returns from its involvement with the investee.*
- *The ability to use its power over the investee to affect its returns.*

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

### INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are companies in which the Group has a significant non-controlling interest (normally ownership of 20-50%). Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not to exercise control or joint control over those policies.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights with respect to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associated companies and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the associate or joint venture's net assets since the acquisition date. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

The statement of profit or loss reflects the Group's share of the results deriving from the associate or joint venture's operations.

### FOREIGN CURRENCY TRANSLATION

The financial statements for the Group are presented in EUR, which is the functional currency of the parent company. The functional currency of the subsidiaries is their local currency, with the exception of the holding companies in Norway, Mowi Norway AS, Mowi Markets Norway AS, Mowi Feed AS and Waynor Trading AS which use EUR as their functional currency, subsidiaries in Chile, Singapore and Vietnam, which use USD as their functional currency.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### Translation of transactions in foreign subsidiaries

Profit or loss transactions in foreign subsidiaries are translated to the presentation currency using the average exchange rate for the reporting period, unless exchange rates in the period have fluctuated significantly, in which case the exchange rates in effect on the transaction dates are applied. Assets and liabilities of foreign subsidiaries are translated at the exchange rate at the end of the reporting period.

### Transactions in foreign currencies

Foreign currency transactions are translated using the exchange rate at the time of the transaction. Receivables, debt and other monetary items in foreign currency are measured at the exchange rate at the end of the reporting period, and the translation differences are recognised in profit

or loss. Other assets in foreign currencies are translated at the exchange rate in effect on the transaction date.

### FINANCIAL INSTRUMENTS - INITIAL AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

The Group's financial assets are: derivatives, non-listed equity instruments, trade receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group classified its financial assets within 2 categories; financial assets at amortized cost and financial asset at fair value through profit and loss.

#### Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- *The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortized cost includes trade receivables and other short-term deposit. Trade receivables are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. No significant financing components are identified.

#### Derivatives at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading, financial assets designated through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified held for trading if they are acquired for the purpose of selling or repurchasing in the near terms. Derivatives, including separately embedded derivatives, are also classified as held for trading unless they are designed as effective hedging instruments.

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value in profit and loss.

The category includes derivatives instruments as foreign exchange contracts, interest rate swaps and salmon derivatives. The Group trades in salmon derivatives, both as an operational hedging activity and a financial activity. Operational trading of salmon derivatives is presented as other operating income, while financial trading of salmon derivatives is presented as other financial items.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- *The rights to receive cash flows from the asset have expired, or*
- *The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either*
  - a. *the Group has transferred substantially all the risks and rewards of the asset, or*
  - b. *the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

#### Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as financial liabilities at fair value through profit and loss (derivatives), as appropriate. Derivatives are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

The equity conversion rights of the EUR 340 million bond (converted in 2018) was separated from the debt instruments and accounted for as a derivative liability due to cash settlement option (option of the issuer to settle the fair value of the conversion rights in cash instead of own equity instruments), in accordance with IAS 32.26. See Note 11.

#### Loans, borrowings and payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Payables are measured at their nominal amount when the effect of discounting is not material.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ELC). For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### REVENUE

Revenue from contracts with customers as defined in IFRS 15 is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

#### Sale of fish products

Revenue for the Group derives mainly from the sale of fish and elaborated fish products either on spot sales or from contracts. The Group recognises revenue from the sale of fish and elaborated fish products at the point in time when control of the goods is transferred to the

customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods. (i.e. a certain point in time) Based on group business of sale of fish and elaborated fish products the customers do not pay any advances. The normal credit term is 30 days upon delivery, and based on the nature of the product there is generally no right of return or warranties. Refund is only given if delivered goods is damaged or delivered with discrepancy compared to agreement, such is immaterial.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated, currently no multiple performance obligations have been identified. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any). At the balance sheet date the group has no outstanding performance obligations in contracts that have original duration of more than 1 year. Therefore no additional disclosures is provided on performance obligations.

#### Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contracts for the sale of goods may provide customers with retrospective volume rebates. the retrospective volume rebates give rise to variable consideration.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contracts. Rebates are presented as reduction of revenue in the statement of comprehensive income, and other current liabilities in the statement of financial position. To estimate expected rebates, the Group applies the expected value method at the end of each reporting period. The amount of unsettled rebates in the statement of financial position per year-end is immaterial.

#### Balances related to revenue

*Contract assets:* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables:* A receivable represents the Group's right to an amount of consideration that is unconditional.

*Contract liabilities:* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received

consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group fulfills the performance obligation(s) under the contract.

Refer to note 17 and 18, contract assets and liabilities are immaterial.

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense such costs when the related revenue is expected to be recognised within one year, as such no assets have been presented in the statement of financial position.

#### Biomass

Changes in the estimated fair value of the biomass are recognised in profit or loss. The fair value adjustment is presented in the statement of comprehensive income as "Net fair value adjustment biomass". The net fair value adjustment consists of "fair value adjustment on biological assets", "fair value adjustment on harvested fish" and "fair value on incident based mortality", see Note 6. The fair value adjustment on biological assets represents the change in fair value of the biomass less the change in accumulated cost of production for the biomass. The fair value adjustment on harvested fish is the release from stock of the fair value adjustment related to the fish harvested in the period. The fair value adjustment on incident based mortality is the release from stock of the fair value adjustment related to the fish recognised as incident based mortality in the period. The accumulated cost of incident based mortality is included in "cost of materials" in the statement of comprehensive income.

#### Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other financial items in the statement of comprehensive income.

#### Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when the dividend is approved by investments general meeting.

#### GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and where the Company will be in compliance with all conditions attached thereto. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs that it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge.



## GOODWILL AND LICENSES

### Goodwill

Goodwill is initially measured at cost, and is the excess of the aggregate of the consideration transferred and the amount recognised for a non-controlling interest in the net identifiable assets acquired and liabilities assumed through a business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in such circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained. Goodwill is tested for impairment annually as at December 31, and when circumstances otherwise indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### Other intangible assets (licenses)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. The value of licenses acquired by Mowi (mainly licenses for salmon farming) in Norway, Chile, Ireland, the Faroe Islands, Scotland and Canada are considered indefinite. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or when circumstances otherwise indicate that the carrying value may be impaired, either individually or at the cash-generating unit level. The indefinite life classification is reviewed annually to determine whether it continues to be appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment. Costs associated with normal maintenance and repairs are expensed as incurred. Costs of major replacements and renewals that substantially extend the economic life and functionality of the asset are capitalized. Assets are normally considered property, plant and equipment if the useful economic life exceeds one year. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Straight-line depreciation is applied over

the useful life of property, plant and equipment, based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, this part is depreciated separately. The asset's residual value and useful life are evaluated annually. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

At the end of the reporting period, the carrying amounts of the Group's assets are reviewed to determine whether there are indications that specific assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of net present value of discounted cash flows (value in use).

## IMPAIRMENT OF NON-CURRENT ASSETS

Annually or upon indication, each cash generating unit, CGU, is tested for impairment. If the recoverable amount of a cash-generating unit is estimated to be less than the carrying amount of the net assets of the cash-generating unit, impairment to the recoverable amount is recognised. If impairment is required, goodwill is written down first, thereafter other intangible assets. If further impairment is required, other assets will be written down on a pro-rata basis.

Impairment losses recognised in previous periods are reversed if the recoverable amount in a later period exceeds the carrying amount. The reversal will not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

## LEASING

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are presented as finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

The Group implements IFRS 16 from 2019, see Note 34 for further information.

## INVENTORY

Inventories mainly comprise feed, goods in progress, packaging materials and finished goods. Inventories of goods are measured at the lower of cost and net realizable value.

The cost of finished goods includes direct material costs, direct personnel expenses and indirect processing costs (full production cost). Interest costs are not included in the inventory value. The cost price of purchased goods is the actual purchase price. The cost is based on the principle of first-in first-out, except for feed and value-added-products, where a weighted average is used.

If fish farmed by the Group is included in inventory as a raw material for further processing in one of the Groups processing entities, such fish is included in inventory at fair value at harvest.

## BIOLOGICAL ASSETS

Fair value of biological assets is calculated based on a present value model which does not rely on historical cost. Incoming cash flows are calculated as functions of estimated volume multiplied with estimated price at the estimated time of harvesting. Fish ready for harvest (mature fish), are valued at expected sales price with a deduction of cost related to harvest, transport etc. Sales costs are not deducted. For fish not ready for harvest (immature fish), cost to completion is also deducted. The model uses an interpolation methodology where the known data points are the value of the fish when put to sea and when recognised as mature fish. Technically, the interpolation is calculated per location. The effect of this is that fish that have the same weight and quality are valued similarly. The interpolation model has a natural interpretation in the form of a present value calculation where an imputed rent of assets (i.e. theoretical license rent) per location is included as part of the rate of return. Thus, the value is to a lesser degree affected by the site because low production cost at a high quality site is offset by a higher imputed rent and vice versa. All surplus return in the future is assigned to the licenses through a similarly high imputed rent of assets, and where any shortage in return is recognised in profit and loss immediately. The interpolation model is updated every month, with best estimates for time of harvest, remaining months at sea, expected price at time of harvest and estimated residual cost to grow the fish to harvest weight. The methodology has the effect that any changes in price will have full effect on the biomass at hand, while the price effect on increased weight going forward will be allocated to the license and recognised over time as remaining time at sea decreases. An effect of this is that even with high salmon prices there is no profit at the time the fish is put to sea because all surplus return is assigned to future periods (licenses). Correspondingly the fair value of small fish is rather insensitive to price fluctuations.

An interpolation model as described works best if important variables such as pace of growth, mortality and feed conversion ratios are constant per unit of time or weight increase. Experience shows that in

particular there is a deviation from an even development the first period in sea relating to increased value among other due to reduced risk after handling of the fish, vaccination and mortality related to the transfer to sea. This has been adjusted for.

Biological assets comprise eggs, juveniles, smolt and fish in the sea. Biological assets are, in accordance with IAS 41 and IFRS 13, measured at fair value less cost to sell. In line with IFRS 13, the highest and best use of the biological assets is applied for the valuation. In accordance with the principle for highest and best use, the fish is considered to have optimal harvest weight at 4 kg gutted. This corresponds to that a live weight of approximately 4.8 kg (there may be regional variances) or more are classified as mature fish, while fish that have still not achieved this weight are classified as immature fish. All fish at sea are subject to a fair value calculation, while broodstock and smolt are measured at cost less impairment losses. Cost is deemed a reasonable approximation for fair value for broodstock and smolt. Historically the market prices for eggs (broodstock are not traded) and smolt have not departed significantly from own production cost.

Transactions with live fish rarely take place, partly due to regulatory constraints, so the valuation of live fish under IAS 41 implies the establishment of an estimated fair value of the fish in a hypothetical market. The calculation of the estimated fair value is based on market prices for harvested fish and adjusted for estimated differences in accordance with IFRS 13. The prices are reduced for harvesting costs and freight costs to market, to arrive at a net value back to farm. The valuation reflects the expected quality grading and size distribution. The valuation is completed for each Business Unit and is based on the biomass in sea for each seawater site and the estimated market price in each market derived from the development in recent contracts as well as spot prices. Where reliable forward prices are available, those have been used. The change in estimated fair value is recognised in profit or loss based on measurement as of each period, and is classified separately. At harvest, the fair value adjustment is classified as fair value adjustment on harvested fish. In cases of incident based mortality, the fair value adjustment is classified as fair value adjustment on incident based mortality. Both are included in net fair value adjustment of biological assets in the statement of comprehensive income.

## ONEROUS CONTRACTS

At each reporting date, management assesses if there are contracts in which the unavoidable costs of meeting the Group's obligations under the contract exceed the economic benefits expected to be received in accordance with IAS 37. Fair value adjustment of biological assets is included in the unavoidable cost. This implies that the contract may be considered onerous even though the actual production cost of the products sold is lower than the contract price. Volumes used in the calculation is based on estimated remaining volumes for the contracts. Onerous contracts are classified as provisions in the statement of financial position.

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets and disposal groups as held for sale or for distribution parent company shareholders if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value, less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to distribution, excluding finance costs and income tax expenses.

The criteria for classification as held for sale are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be canceled. Management must be committed to the sale taking place within one year from the date of classification. Similar considerations apply to assets or a disposal group held for distribution.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if all of the above are met:

- A component of the Group that is a CGU or a group of CGUs, and
- Classified as held for sale or distribution or already disposed in such a way, and
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented separately as a single amount under profit or loss after tax from discontinued operations in the statement of comprehensive income.

## TAXES

Income taxes comprise taxes on the taxable profit for the year, changes in deferred taxes and any adjustments in prior years' taxes. Taxes on transactions that are recorded in other comprehensive income or directly in equity do not form part of the tax expense in profit or loss.

Tax payable is calculated using the nominal tax rate for the relevant tax jurisdiction at the end of the reporting period.

Deferred tax is calculated on the basis of temporary differences between accounting and taxation values at the close of the accounting year. Deferred tax assets arise from temporary differences that give rise to future tax deductions. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will arise, against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized.

Tax increasing and tax decreasing temporary differences are offset against each other to the extent that the taxes can be netted within one tax regime.

## PROVISIONS

A provision is recognised if the Company has a legal or constructive obligation related to a past event, and it is likely that the obligation will lead to a financial outflow for the Company. Long-term provisions are valued on the basis of discounted expected cash flows.

## RESTRUCTURING COSTS

Provisions for restructuring costs will be recognised if the Company has, within the reporting period, published or initiated a restructuring plan, which identifies which parts of the Company and approximately how many employees will be affected, the actions that will be taken and when the plan will be implemented. Provisions are recognised only for costs that cannot be associated with future earnings. Costs related to restructuring are presented on a separate line in the statement of profit or loss.

## SHARE-BASED BONUS SCHEME AND SHARE OPTION SCHEMES

The Group has share option schemes from 2015, 2016, 2017 and 2018 which will be settled in shares (equity settlement). The cost of equity-settled transactions is recognised as a payroll expense over the vesting period. The cumulative expense is recognised in other equity reserves within equity.

## CASH FLOW STATEMENT AND CASH

The cash flow statement is prepared in accordance with the indirect method. Cash comprises cash and bank deposits, except restricted funds.

## NOTE 3 - ESTIMATES AND JUDGMENTS

### ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and judgments that affect the recognised amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and information perceived to be relevant and probable when the judgments are made. Estimates are reviewed on an on-going basis and actual values and results may deviate from these estimates. Adjustments to accounting estimates are recognised in the period in which the estimates are revised.

Mowi is exposed to a number of underlying economic factors which affect the overall results, such as salmon prices, foreign exchange rates and interest rates, as well as financial instruments with fair values derived from changes in these factors.

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing these consolidated financial statements and the uncertainties that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

### INTANGIBLE ASSETS - GOODWILL AND FARMING LICENSES

The annual impairment test on intangible assets is based on a discounted cash flow model per cash-generating unit (CGU). The cash flows used in the calculations represent management's best estimate at the time of reporting. The assumptions used rest on uncertainty with regard to product prices, input prices, biological performance and future regulatory frameworks. Costs can normally be estimated with a higher degree of accuracy than income.

As profitability in the salmon farming industry historically has been very volatile, depending on developments in the price of salmon, Mowi uses budgets and long-term plans for the first four years of the analysis, but returns to long-term historic averages for growth in the fifth year and terminal value, except for Mowi Chile. For further information on this CGU, refer to Note 8.

The WACC model is used for estimating the discount rate. The input data for the model is updated every year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The WACC is calculated separately for the different CGUs. Indications of impairment that initiate testing beyond the year-end test include a significant reduction in the profitability of the CGU compared to previous periods, negative deviations from budgets, changes in the use of assets, market changes and regulatory changes.

For further information about uncertainty in the valuation of intangible assets and impairment testing, please see Note 8, Impairment testing. Note 9, Intangible assets, illustrates the specification of intangible assets in the Group.

### BIOLOGICAL ASSETS

Biological assets comprise eggs, juveniles, smolt and fish in the sea. These assets are measured at fair value less cost to sell, unless the fair value cannot be measured reliably. The estimation of the fair value relies on a series of uncertain assumptions, e.g., biomass volume, biomass quality, size distribution, market prices, expected future costs, remaining time to harvest and total time to harvest.

Mowi measures all deviations in biomass volume compared to estimates when a site is harvested out. Except for situations where there has been an incident causing mass mortality, particularly early in the cycle, combined with an inability to count and weigh fish after the event in fear of further stressing the fish, volume deviations are normally minor. Similarly, excluding the effects of soft flesh and melanin, the quality of the fish can normally be estimated with a relatively high degree of accuracy. Categorization of quality is normally set per country based on averages, but can be set individually per site when needed. The size distribution shows some degree of variation but normally not to an extent that significantly changes the estimated value of the biomass (the value of two fish at five kg is very similar to the value of two fish weighing four and six kg, respectively).

The accumulated cost of the fish per kg will only deviate from the estimate if the volume is different from the estimate. For the estimation of future costs, there is uncertainty with regard to feed prices, other input costs and biological development. Mowi measures cost deviations vs. budget as part of the follow up of Business Units. Excluding special situations (incidents etc.), the deviations in costs vs budgets are normally limited for a group of sites, although individual sites might show deviations. The estimation of costs influences the biomass value through the recognised fair value adjustment in the statements of comprehensive income and financial position (calculated as fair value less accumulated biological costs).

The key element in the estimation of fair value is the assumed market price. The assumed market price is the price that we expect to receive on the future date when the live fish is harvested. We derive these prices from a variety of sources, normally a combination of the prices achieved in the previous month and the contracts most recently entered into. For salmon of Norwegian, Scottish and Faroese origin, quoted forward prices (Nasdaq) are used in the estimation, see Note 2. The use of third-party forward prices improves the reliability and comparability of the price estimation.

For further information about biological asset values please see Note 6, Biological assets.

## JUDGMENTS

The matters described below are considered to be the most important in understanding the key sources of judgments that are involved in preparing these consolidated financial statements and the uncertainties that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

## LICENSES

The Group has assessed that all fish farming licenses have indefinite lives and, as such, are not amortized. Most of the jurisdictions in which the Group operates require us to obtain a license for each fish farm owned and operated in that jurisdiction. The Group has obtained and currently holds a license to own and operate each of our fish farms where a license is required. These licenses have indefinite lives or require renewal after a specific time period, but normally with automatic renewal and, as such, we have assessed that they have indefinite lives. However, the Group's licenses in each country are subject to certain requirements, and we risk penalties (including, in some cases, criminal charges), sanctions or even license revocation if we fail to comply with

license requirements or related regulations. Also, local government may change the way licenses are renewed.

## SUPPLY CHAIN FINANCING

One company in the Group holds a Supply Chain Finance (SCF) agreement meaning that some vendors will indirectly offer extended credit terms to the company through a separate agreement with a financial institution. The vendors sell their trade receivables to the financial institution in order to receive payment immediately. Payment terms under the SCF agreement are in line with industry practice. The transaction is still between the company and its suppliers, and the company does not waive the right to claim any refund on quality issues, return goods etc. towards the supplier.

The refinancing by vendors has no cash-flow impact on the company, and only when the trade payable is settled with the bank will the cash flow statement be impacted, with a operating cash flow charge. Liabilities under the SCF agreement are presented as trade payables.

## NOTE 4 - BUSINESS SEGMENTS

For management purposes, Mowi is organized into three Business Areas: Feed, Farming and Sales & Marketing.

Business segments are components of a business that are regularly reviewed by its chief operating decision-makers for the purpose of assessing performance and allocating resources. The Group Management Team is the Group's chief operating decision-maker.

In Mowi the Feed Business Area consist of the feed factory in Norway and the feed factory under construction in Scotland. Feed is considered to be a separate business segment due to the nature of the business (different economic characteristics (e.g similar long term average gross margin) compared to other business segments in the Group and separate management follow up).

The Farming Business Area consists of the farming and primary processing operations in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands. The Farming operations are, due to similar production processes, a global market for both salmon feed and sales of salmon, in addition to similar biological risk factors, considered to have similar economic characteristics.(e.g similar long term average gross margin) The farming units are therefore aggregated into one business segment.

The Sales & Marketing Business Area consists of the Markets operations in the Americas, Asia- and Europe, as well as Consumer Products.

As the Markets operations are considered to have similar economic characteristics (e.g similar long term average gross margin), due to similar production processes and operational risk factors, and a common set of key performance indicators, they are presented as one reporting segment.

Consumer Products, which from 2018 comprises the value-added operations in Europe, Asia and America, is presented as a single separate reporting segment due to similar production processes, operational risk factors and a common set of key performance indicators(e.g similar long term average gross margin). Until 2018 the value-added operations in Asia and Americas were included in the Markets reporting segment. Comparison figures have been re-presented according to the new structure.

The business segment "Other" consists of corporate functions and holding companies.

The business segments' performance is monitored in order to achieve the overall objective of maximizing the operational EBIT per kg and margins. Consequently, reporting focuses on measuring and illustrating the overall profitability of the harvested volume, based on source of origin (operational EBIT per kg) and operational EBIT margin for the business segments Markets and Consumer Products. Legal entities with activities in both Farming, Sales & Marketing do not split their financial items or

their statement of financial position. The net effects of Investments in these entities are recognised in the business segment Farming.

The pricing principle between Feed and Farming is set at market terms and benchmarked against third parties. The pricing principle between Farming and Sales & Marketing is based on market reference prices for spot sales, while contracts are at market terms, with the target for Sales & Marketing to maximize profit beyond these terms.

The same accounting principles as described for the consolidated financial statements have been applied to the business segment reporting. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions, and the measurements used in the

business segment reporting are the same as those used for the third-party transactions.

In the business segment reporting internal profit related to unrealized gains from intra-group transactions are included in Operational EBIT for the relevant business segments, but eliminated in EBIT.

Operational EBIT and Operational EBITDA are non-IFRS financial measures. Operational EBIT is calculated by excluding certain items, according to the reconciliation below, from earnings before financial items and taxes (EBIT). Operational EBITDA is calculated by adding depreciation and amortization to Operational EBIT. For further explanations, see section Analytical information in this report.

KEY BUSINESS SEGMENT FIGURES (EUR MILLION)							
2018	FEED	FARMING	MARKETS	CONSUMER PRODUCTS	OTHER	ELIMINATIONS	TOTAL
External revenue	15.5	119.5	1 559.5	2 119.9	—	—	3 814.5
Internal revenue	403.8	2 174.6	671.6	30.0	18.8	-3 298.8	—
<b>Operational revenue</b>	<b>419.3</b>	<b>2 294.1</b>	<b>2 231.1</b>	<b>2 149.9</b>	<b>18.8</b>	<b>-3 298.8</b>	<b>3 814.5</b>
Gain/loss from derivatives	—	-0.5	-2.6	—	—	0.5	-2.6
<b>Revenue and other income</b>	<b>419.3</b>	<b>2 293.6</b>	<b>2 228.5</b>	<b>2 149.9</b>	<b>18.8</b>	<b>-3 298.3</b>	<b>3 811.9</b>
<b>Operational EBITDA</b>	<b>17.1</b>	<b>742.9</b>	<b>51.6</b>	<b>112.3</b>	<b>-17.6</b>	<b>—</b>	<b>906.2</b>
<b>Operational EBIT</b>	<b>9.6</b>	<b>625.2</b>	<b>51.0</b>	<b>88.0</b>	<b>-21.0</b>	<b>—</b>	<b>752.8</b>
Change in unrealized internal margin	—	—	—	—	—	-5.9	-5.9
Gain/loss from derivatives	—	-0.5	-2.6	0.5	7.0	—	4.4
Net fair value adjustment biomass	0.5	145.8	—	—	—	—	146.4
Onerous contract provisions	—	-6.1	—	—	—	—	-6.1
Restructuring cost	—	-0.1	0.5	—	—	—	0.3
Other non-operational items	—	-0.8	—	-0.1	—	—	-1.0
Income from associated companies	—	45.7	—	—	-0.2	—	45.5
Impairment losses	—	-2.8	—	-8.2	—	—	-11.0
<b>EBIT</b>	<b>10.2</b>	<b>806.3</b>	<b>48.8</b>	<b>80.2</b>	<b>-14.1</b>	<b>-5.9</b>	<b>925.4</b>
Gross investments	78.5	230.3	0.7	34.4	2.2	—	346.2
Number of employees 31.12 (FTE)	110	4 958	407	9 000	62	—	14 537

KEY BUSINESS SEGMENT FIGURES (EUR MILLION)							
2017	FEED	FARMING	MARKETS	CONSUMER PRODUCTS	OTHER	ELIMINATIONS	TOTAL
External revenue	20.3	80.2	1 671.0	1 882.3	—	—	3 653.8
Internal revenue	333.5	2 234.4	649.9	34.8	22.8	-3 275.4	—
<b>Operational revenue</b>	<b>353.8</b>	<b>2 314.6</b>	<b>2 320.9</b>	<b>1 917.1</b>	<b>22.8</b>	<b>-3 275.4</b>	<b>3 653.8</b>
Gain/loss from derivatives	—	57.7	-5.7	—	4.0	-62.0	-4.4
<b>Revenue and other income</b>	<b>353.8</b>	<b>2 372.3</b>	<b>2 315.2</b>	<b>1 917.1</b>	<b>26.9</b>	<b>-3 335.9</b>	<b>3 649.4</b>
<b>Operational EBITDA</b>	<b>16.3</b>	<b>772.5</b>	<b>59.5</b>	<b>102.4</b>	<b>-8.3</b>	<b>—</b>	<b>942.5</b>
<b>Operational EBIT</b>	<b>8.5</b>	<b>660.5</b>	<b>59.0</b>	<b>75.9</b>	<b>-11.8</b>	<b>—</b>	<b>792.1</b>
Change in unrealized internal margin	—	—	—	—	—	5.7	5.7
Gain/loss from derivatives	—	57.9	-5.7	-60.8	-11.6	—	-20.2
Net fair value adjustment biomass	1.1	-329.0	—	—	—	—	-327.9
Onerous contract provisions	—	119.8	—	—	—	—	119.8
Restructuring cost	—	-0.8	-0.1	-1.4	-0.2	—	-2.5
Other non-operational items	—	0.3	—	-0.1	—	—	0.3
Income from associated companies	—	34.2	—	—	-0.5	—	33.7
Impairment losses	—	-103.1	-0.2	0.1	-0.5	—	-103.8
<b>EBIT</b>	<b>9.6</b>	<b>427.4</b>	<b>52.9</b>	<b>13.8</b>	<b>-24.5</b>	<b>5.7</b>	<b>484.9</b>
Gross investments	58.4	166.8	0.3	28.3	1.1	—	254.9
Number of employees 31.12 (FTE)	67	4 295	378	8 431	62	—	13 233

NON-CURRENT ASSETS BY COUNTRY LOCATION (EUR MILLION)	2018	2017
Norway	1 285.5	1 157.9
Poland	116.2	115.0
Scotland	355.7	286.0
Belgium	78.6	79.9
France	37.9	41.5
Rest of Europe	76.5	71.5
Chile	212.9	203.2
Canada/USA	361.7	189.1
Asia	9.8	9.1
<b>Non-current assets</b>	<b>2 534.8</b>	<b>2 153.2</b>
<b>Other non-current assets <sup>1)</sup></b>	<b>23.3</b>	<b>13.5</b>
<b>Total non-current assets</b>	<b>2 558.1</b>	<b>2 166.7</b>

1) Deferred tax assets and other non-current financial assets

## NOTE 5 - DISAGGREGATION OF REVENUE

BUSINESS AREAS	Feed		Farming		Sales & Marketing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Geographical markets</b>								
Europe	13.9	19.4	45.4	59.5	2 599.4	2 531.8	2 658.8	2 610.7
Americas	—	—	50.0	3.0	644.6	645.2	694.6	648.2
Asia	—	—	—	—	350.9	327.5	350.9	327.5
Rest of the world	—	—	0.7	0.9	47.5	43.4	48.2	44.2
<b>Revenue from contracts with customers</b>	<b>13.9</b>	<b>19.4</b>	<b>96.1</b>	<b>63.4</b>	<b>3 642.4</b>	<b>3 547.8</b>	<b>3 752.5</b>	<b>3 630.6</b>
Other income	1.6	1.0	23.4	16.8	37.1	5.5	62.1	23.3
<b>Operational revenue</b>	<b>15.5</b>	<b>20.3</b>	<b>119.5</b>	<b>80.2</b>	<b>3 679.5</b>	<b>3 553.3</b>	<b>3 814.5</b>	<b>3 653.8</b>

### SOURCE OF REVENUE

The main source of revenue for the Group is sales of Atlantic salmon, including elaborated products.

The business area Sales & Marketing represents the majority of the Group's external revenue. The revenue distribution for Sales & Marketing according to product categories was as follows in 2018 (2017): Fresh bulk 38% (41%), smoked/marinated 21% (20%), fresh MAP 13% (11%), fresh prepared 11% (12%), frozen prepared 6% (4%), frozen bulk 2% (2%) and other 9% (9%). The revenue distribution for Sales & Marketing

according to customer categories was as follows in 2018 (2017): Retail 51% (51%), Distributors 30% (30%), Industry 10% (9%), Foodservice 5% (3%) and Smoke houses 4% (6%).

The majority of revenue from customers in the Business Area Farming is related to sales of Atlantic Salmon (EUR 78.3 million in 2018 and EUR 45.5 million in 2017), while revenue from customers in the Business Area Feed is related to sales of feed to external parties.

No customers accounts for 10% or more of the Groups revenues.

## NOTE 6 - BIOLOGICAL ASSETS

### VALUATION OF BIOLOGICAL ASSETS

Biological assets are, in accordance with IAS 41, measured at fair value. All fish at sea are subject to a fair value calculation, while broodstock and smolt are measured at cost less impairment losses. Cost is deemed a reasonable approximation for fair value for broodstock and smolt as there is little biological transformation (IAS 41.24).

Biomass measured at fair value, is categorized at Level 3 in the fair value hierarchy, as the input is mostly unobservable. In line with IFRS 13, the highest and best use of the biological assets is applied for the valuation. In accordance with the principle for highest and best use, we consider that the fish have optimal harvest weight when they have a live weight corresponding to 4 kg gutted weight. This corresponds to a live weight of 4.8 kg (there may be regional variances). Fish of this weight or above are classified as ready for harvest (mature fish), while fish that have still not achieved this weight are classified as not ready for harvest (immature fish). The valuations are carried out at business unit level based on a common model and basis for assumptions established at group level. All assumptions are subject to monthly quality assurance and analysis at the group level.

The valuations are based on an income approach and takes into consideration unobservable input based on biomass in the sea, the estimated growth rate and cost to completion at site level. Mortality, quality of the fish going forward and market price are considered at business unit level. A special assessment is performed for sites with high/low performance due to disease or other deviating factors. The market prices are derived from observable market prices where available.

### ASSUMPTIONS USED FOR DETERMINING FAIR VALUE OF LIVE FISH

The estimated fair value of the biomass will always be based on uncertain assumptions, even though the group has built substantial expertise in assessing these factors. Estimates are applied to the following factors: biomass volume, the quality of the biomass, size distribution, cost, mortality and market prices.

**Biomass volume:** The biomass volume is in itself an estimate based on the number of smolt released into the sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc. There is normally little uncertainty with regard to biomass volume.

The level of uncertainty will, however, be higher if an incident has resulted in mass mortality, especially early in the cycle, or if the fish's health status restricts handling. If the total biomass at sea was 1% higher than our estimates, this would result in an increase in value of EUR 2.9 million.

The quality of the biomass: The quality of the biomass can be difficult to assess prior to harvesting, if the reason for downgrading is related to muscle quality (e.g. the effect of Kudoa in Canada). In Norway downgraded fish is normally priced according to standard rates of deduction compared to a Superior quality fish. For fish classified as Ordinary grade, the standard rate of reduction is EUR 0.15 to EUR 0.20 per kg gutted weight. For fish classified as Production grade, the standard rate of reduction is EUR 0.5 to EUR 1.5 per kg gutted weight, depending on the reason for downgrading. In our fair value model for salmon of Norwegian origin, we have used EUR 0.20 and EUR 0.61 as deductions from Superior grade for Ordinary and Production grade quality respectively. In other countries the price deductions related to quality are not as standardized. The quality of harvested fish has been good in 2018. For the Group as a whole, 91% of the fish were graded as Superior quality. A one percentage point change from Production grade to Superior quality would result in a change in value of EUR 1.1 million.

The size distribution: Fish in sea grow at different rates, and even in a situation with good estimates for the average weight of the fish there can be a considerable spread in the quality and weight of the fish. The size distribution affects the price achieved for the fish, as each size category of fish is priced separately in the market. When estimating the biomass value, a normal size distribution is applied.

Cost: For the estimation of future costs, there is uncertainty with regard to feed prices, other input costs and biological development. Mowi

measures cost deviations vs. budget as part of the follow up of business units. Excluding special situations (incidents etc.), the deviations in costs vs budgets are normally limited for a group of sites, although individual sites might show deviations. The estimation of costs influences the biomass value through the recognised fair value adjustment in the statements of comprehensive income and financial position (calculated as fair value less accumulated biological costs).

Mortality: Normalized mortality will affect the fair value estimates both as a reduction of estimated harvesting volumes and because cost to completion includes cost incurred on fish that eventually will perish.

Market price: The market price assumption is very important for the valuation and even minor changes in the market price will result in significant changes in the valuation. The methodology used for establishing the market price is explained in Note 2. A EUR 0.1 increase in the market price would result in an increase in value of EUR 18.5 million.

The market price risk is reduced through fixed price/volume customer contracts and financial contracts, as well as our downstream integration as explained in Note 13.

#### WRITE-DOWN OF BIOMASS AND INCIDENT-BASED MORTALITY

Incident-based mortality is accounted for when a site either experiences elevated mortality over time or substantial mortality due to an incident at the farm (outbreak of disease, lack of oxygen etc). The cost of incident based mortality is included in "cost of materials" in the statement of comprehensive income, see Note 33. The fair value element is adjusted through fair value adjustment on incident based mortality, and included in net fair value adjustment in the statement of comprehensive income.

RECONCILIATION OF CHANGES IN THE CARRYING AMOUNT OF BIOLOGICAL ASSETS (EUR MILLION)	2018	2017
Carrying amount as of 01.01	1 200.5	1 573.8
Cost to stock	1 471.0	1 383.1
Net fair value adjustment	146.4	-353.5
Implementation of new biomass valuation model <sup>1)</sup>	—	13.2
Mortality for fish in sea	-42.8	-36.5
Cost of harvested fish	-1 290.7	-1 282.0
Effects of business combinations	78.0	0.7
Currency translation differences	-3.0	-98.3
<b>Total carrying amount of biological assets as of 31.12</b>	<b>1 559.4</b>	<b>1 200.5</b>

1) Change in estimate recognised through other comprehensive income according to IAS 8.

FAIR VALUE ADJUSTMENT ON BIOLOGICAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2018	2017
Mowi Norway	278.0	187.9
Mowi Chile	38.1	19.0
Mowi Canada	69.0	46.7
Mowi Scotland	60.0	21.0
Mowi Faroe Islands	6.5	4.9
Mowi Ireland	7.2	10.6
Mowi Fish Feed	0.3	-0.2
<b>Total fair value adjustment included in carrying amount in the statement of financial position</b>	<b>459.1</b>	<b>289.9</b>
Biomass at cost	1 100.2	910.5
<b>Total biological assets</b>	<b>1 559.3</b>	<b>1 200.5</b>

FAIR VALUE ADJUSTMENT ON BIOLOGICAL ASSETS IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Mowi Norway	574.8	323.8
Mowi Chile	87.3	68.1
Mowi Canada	83.6	74.2
Mowi Scotland	95.2	70.5
Mowi Faroe Islands	15.7	13.6
Mowi Ireland	16.7	35.5
Mowi Fish Feed	0.3	-0.3
<b>Total fair value adjustment in the statement of comprehensive income</b>	<b>873.5</b>	<b>585.5</b>

FAIR VALUE ADJUSTMENT ON HARVESTED FISH IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Mowi Norway	-480.7	-540.0
Mowi Chile	-69.7	-64.7
Mowi Canada	-80.9	-102.3
Mowi Scotland	-54.5	-160.3
Mowi Faroe Islands	-14.2	-14.3
Mowi Ireland	-18.1	-33.1
Mowi Fish Feed	0.2	1.5
<b>Total fair value uplift in the statement of comprehensive income</b>	<b>-717.8</b>	<b>-913.4</b>

FAIR VALUE ADJUSTMENT ON INCIDENT BASED MORTALITY IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Mowi Norway	-3.9	-7.1
Mowi Chile	—	-0.9
Mowi Canada	-2.9	—
Mowi Scotland	-0.6	-3.0
Mowi Faroe Islands	—	—
Mowi Ireland	-2.0	-1.4
Mowi Fish Feed	—	—
<b>Total fair value uplift in the statement of comprehensive income</b>	<b>-9.4</b>	<b>-12.4</b>

NET FAIR VALUE ADJUSTMENT IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Mowi Norway	90.2	-223.3
Mowi Chile	17.6	2.5
Mowi Canada	-0.3	-28.1
Mowi Scotland	40.2	-92.8
Mowi Faroe Islands	1.6	-0.7
Mowi Ireland	-3.4	1.0
Mowi Fish Feed	0.5	1.2
<b>Total fair value uplift in the statement of comprehensive income</b>	<b>146.4</b>	<b>-340.3</b>

VOLUMES OF BIOMASS (TONNES)	2018	2017
Volume of biomass harvested during the year (guttet weight)	375 237	370 346
Volume of biomass in the sea at year-end (live weight)	304 980	258 049

SENSITIVITY EFFECT ON FAIR VALUE (SALMON ONLY) AT YEAR-END (EUR MILLION)	PRICE +0.1 EUR	BIOMASS +1% LWT	QUALITY +1% SUP
Mowi Norway	10.2	1.4	0.2
Mowi Chile	3.0	0.5	0.2
Mowi Canada	2.7	0.4	0.4
Mowi Scotland	2.1	0.5	0.2
Mowi Faroe Islands	0.3	0.1	—
Mowi Ireland	0.3	—	—
Mowi Fish Feed	—	—	—
<b>Total sensitivity effect on fair value</b>	<b>18.5</b>	<b>2.9</b>	<b>1.1</b>

INCIDENT-BASED MORTALITY 2018 (SALMON ONLY) (EUR MILLION)	INCIDENT-BASED MORTALITY IN THE STATEMENT OF COMPREHENSIVE INCOME	INCIDENT-BASED MORTALITY (1000 TONNES)	INCIDENT-BASED MORTALITY IN % OF TOTAL MORTALITY (VOLUME)
Mowi Norway	21.5	4.9	17.7%
Mowi Chile	6.9	—	—%
Mowi Canada	7.1	1.9	24.0%
Mowi Scotland	2.5	0.6	11.5%
Mowi Faroe Islands	—	—	—%
Mowi Ireland	4.8	1.0	49.7%
Mowi Fish Feed	—	—	—%
<b>Mowi Group</b>	<b>42.8</b>	<b>8.3</b>	<b>18.2%</b>

FORWARD PRICES USED IN FAIR VALUE CALCULATION <sup>1)</sup> QUARTER	EUR/KG
Q1 2019	6.47
Q2 2019	6.52
Q3 2019	5.94
Q4 2019	6.12
Q1 2020	6.21
Q2 2020	6.21

1) Norway and Faroe Islands only. Before reduction of export costs.

## NOTE 7 - INVENTORY

INVENTORY (EUR MILLION)	2018	2017
Raw materials and goods in process	129.3	143.0
Finished goods	156.2	164.0
<b>Total inventory</b>	<b>285.5</b>	<b>306.9</b>

The amounts above are net after provision for obsolete goods, EUR 3.1 million (2017: EUR 8.6 million). The amount of inventory recognised as an expense during the period totaled EUR 1 491.1 million (2017: EUR 1 394.7 million).

## NOTE 8 - IMPAIRMENT TESTING OF INTANGIBLE ASSETS

At year-end 2018, the market value of the Group's equity was significantly higher than the carrying amount of equity, which is an indication that the market considers the value of the Group's assets to exceed the carrying amount. For all cash generating units (CGUs), the recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on approved budgets for the first year. The three next years are based on the approved long-term plan. The cash flow projections beyond the fourth year are estimated by extrapolating the projections reflecting steady-state operations. The net present value of the cash flow is compared to the carrying amount in the CGU. If the carrying amount is higher than the calculated value in use, an impairment loss is recognised in profit or loss, reducing the asset value to the calculated value in use. The estimated cash flows are based on the assumption of continued operation as part of the Mowi Group.

There has been no changes in the identified CGUs for the year 2018.

## KEY ASSUMPTIONS

The key assumptions used in the calculation of value in use are harvested volume, EBIT(DA)/margins, capital expenditure, discount rates and the terminal growth rates. Please see the table below for a summary of the key assumptions for each CGU.

## Harvest volume

The expected harvest volume is based on the fish currently being held at sea, forward stocking plan and adjusted for the expected future increase in production given today's licenses. This evaluation has been performed CGU by CGU and is updated yearly.

## EBIT(DA)/Margins

The key profit target for salmon farming and sales is EBIT per kg, while value-added operations are measured in terms of EBIT/EBITDA in % of sales. EBIT per kg is highly volatile due to fluctuations in the price of salmon. Costs can under normal circumstances be forecast with a relatively high level of accuracy. As Mowi has entered into long-term sales contracts for a proportion of the volume to be harvested in 2019, the margin for 2019 can be forecasted with a higher level of accuracy than

the margin for the years beyond (2020-2022). For the terminal value in the Farming entities the EBIT pr kg has been set at EUR 0.7.

## Capital expenditure

In the five-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Consistent with the Group's plan, the capital expenditure level for 2019 is high to further grow the operations. Beyond 2019, capital expenditures are aligned with growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capital expenditure related to committed and approved efficiency improvement programs has also been included to support the inclusion of the benefits in the applied margin.

Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

## Discount rate

The discount rates are based on the Weighted Average Cost of Capital (WACC) methodology. The cost of equity is based on Capital Asset Pricing Model (CAPM). The cost of debt is based on the risk-free rate in the applicable country. In the model, a five-year average of the ten-year risk-free rate has been used. Calculation of the final discount rates (WACC) also takes into account market risk premium, debt risk premium, gearing and beta value. In the calculations, the Group has applied estimated cash flows before tax and the corresponding discount rates before tax.

## Terminal growth rates

Growth after the five-year forecast period has in general been set independently for each cash-generating unit based on the five year average historic inflation rate. The maximum growth rate applied beyond the forecast period is 1.5%. This is lower than the expected growth rates in the first five years and lower than the historic growth rate in salmon demand.

**Sensitivity**

With regard to the assessment of recoverable amount, the Group is of the view that no reasonably likely change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount for any of the CGUs.

The significant key assumptions with regards to sensitivity are expected harvest volumes and EBIT(DA)/Margins.

ASSUMPTIONS	HARVEST VOLUME 2018 (GWT)	WACC		TERMINAL	
		BEFORE TAX		VALUE GROWTH%	
		2018	2017	2018	2017
CASH GENERATING UNITS					
Mowi Norway Farming	230 427	10%	10.1%	1.0%	1.2%
Mowi Chile Farming	53 165	11.7%	11.4%	1.5%	1.3%
Mowi Canada Farming*	32 399	10%	10.2%	1.1%	1.4%
Mowi Scotland Farming	38 444	9.1%	9.0%	0.9%	1.2%
Mowi Ireland Farming	6 238	8.1%	8.7%	0.2%	0.1%
Mowi Faroe Islands Farming	7 697	9.2%	9.3%	1.0%	1.2%
Mowi Consumer Products	—	9.2%	10.0%	0.2%	0.5%
Mowi Asia	—	9.4%	9.7%	1.0%	1.2%
Mowi USA sale and smoked	—	12.8%	12.7%	1.5%	1.3%
Mowi Fish Feed	—	9.2%	9.5%	1.0%	1.2%
<b>Total</b>	<b>368 370</b>				

\* Harvest Volume excluding volumes from Northern Harvest(Business Combination in 2018).

Please see table below for an overview of the CGU's with allocated intangible assets as of December 31, 2018 and 2017.

CASH GENERATING UNITS (EUR MILLION)	GOODWILL		LICENSES	
	2018	2017	2018	2017
Mowi Norway Farming	161.7	161.7	435.5	369.0
Mowi Scotland Farming	0.8	—	61.6	58.4
Mowi Canada Farming	36.1	2.7	151.7	60.7
Mowi Chile Farming	—	—	123.8	118.3
Mowi Ireland Farming	—	—	2.2	2.2
Mowi Faroe Islands Farming	—	—	6.5	6.5
Mowi Consumer Products	90.7	91.4	—	—
<b>Total</b>	<b>289.3</b>	<b>255.7</b>	<b>781.4</b>	<b>615.1</b>

**NOTE 9 - INTANGIBLE ASSETS**

SPECIFICATION OF INTANGIBLE ASSETS 2018 (EUR MILLION)	GOODWILL	LICENSES	OTHER INTANGIBLE ASSETS <sup>1)</sup>	TOTAL
Acquisition cost as of 01.01	514.4	778.5	61.1	1 353.9
Additions in the year as a result of acquisitions <sup>2)</sup>	34.9	98.7	—	133.6
Additions in the year <sup>3)</sup>	—	66.8	3.0	69.8
Reclassification	—	—	0.9	0.9
Disposals / scrapping in the year	—	—	-0.3	-0.3
Foreign currency adjustments	3.3	5.5	0.3	9.1
<b>Total acquisition cost as of 31.12</b>	<b>552.7</b>	<b>949.5</b>	<b>65.0</b>	<b>1 567.1</b>
Accumulated amortization and impairment losses as of 01.01	258.7	163.3	34.9	456.9
Amortization in the year	—	0.2	3.9	4.1
Impairment losses in the year	—	0.1	0.1	0.2
Accumulated amortization and impairment losses on disposals	—	—	-0.4	-0.4
Foreign currency adjustments	4.7	4.4	0.2	9.3
<b>Total accumulated amortization and impairment losses as of 31.12</b>	<b>263.4</b>	<b>168.0</b>	<b>38.8</b>	<b>470.2</b>
<b>Total carrying amount as of 31.12</b>	<b>289.3</b>	<b>781.4</b>	<b>26.2</b>	<b>1 096.9</b>
Estimated lifetime			3 - 25 years	
Amortization method			Linear	

1) Other intangible assets includes assets under construction.

2) Mainly related to the acquisition of Northern Harvest. See note 22 for more information.

3) Additions on Licenses are related to the purchase of increased capacity in Norway.

SPECIFICATION OF INTANGIBLE ASSETS 2017 (EUR MILLION)	GOODWILL	LICENSES	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost as of 01.01	553.5	841.6	60.5	1 455.6
Additions in the year as a result of acquisitions	—	7.9	—	7.9
Additions in the year	—	—	1.1	1.1
Reclassification	—	—	2.5	2.5
Disposals / scrapping in the year	—	—	-0.6	-0.6
Foreign currency adjustments	-39.1	-71.0	-2.5	-112.5
<b>Total acquisition cost as of 31.12</b>	<b>514.4</b>	<b>778.5</b>	<b>61.1</b>	<b>1 353.9</b>
Accumulated amortization and impairment losses as of 01.01	285.5	77.2	28.0	390.8
Amortization in the year	—	0.3	6.1	6.3
Impairment losses in the year	—	97.2	0.7	97.9
Reclassification	—	—	1.9	1.9
Accumulated amortization and impairment losses on disposals	—	—	-0.6	-0.6
Foreign currency adjustments	-26.8	-11.4	-1.2	-39.5
<b>Total accumulated amortization and impairment losses as of 31.12</b>	<b>258.7</b>	<b>163.3</b>	<b>34.9</b>	<b>456.9</b>
<b>Total carrying amount as of 31.12</b>	<b>255.7</b>	<b>615.2</b>	<b>26.1</b>	<b>897.0</b>
Estimated lifetime			3 - 25 years	
Amortization method			Linear	

SPECIFICATION OF SEAWATER LICENSES	NUMBER OF LICENSES/ TENURES (SEAWATER ONLY)	NUMBER OF LICENSES/ TENURES IN USE (SEAWATER ONLY)	TOTAL CURRENT PRODUCTION CAPACITY HOG, FULL UTILIZATION (T TONNES)	OTHER LIMITATIONS
Mowi Norway <sup>1)</sup>	231.5	229.4	250-280	MAB limitation per license
Mowi Chile	186	30-40	120-130	
Mowi Scotland	63	45	66	MAB limitation per license
Mowi Canada	99	75	85	MAB limitation per license
Mowi Ireland	26	17	10	
Mowi Faroe Islands	3	3	15	Total capacity is 15 T tonnes over a two year cycle.

1) CAC licenses not included.

SPECIFICATION LICENSES 2018	TOTAL CURRENT PRODUCTION CAPACITY HOG, FULL UTILIZATION (T TONNES)	HARVEST VOLUME 2017 (SALMON ONLY)	UTILIZATION BASED ON PRODUCTION CAPACITY	BOOK VALUE (MEUR) <sup>1)</sup>	BOOK VALUE PER PRODUCTION VOLUME (2017)
Mowi Norway	225-280	230.4	75% - 93 %	435.5	1.9
Mowi Chile	135-180	53.2	30% - 39%	123.8	2.3
Mowi Scotland	66	38.4	91%	61.6	1.6
Mowi Canada	50	39.3	79%	151.7	3.9
Mowi Ireland	10	6.2	97%	2.2	0.4
Mowi Faroe Islands	15	7.7	40%	6.5	0.8
<b>Total</b>		<b>375.2</b>		<b>781.4</b>	<b>2.1</b>

1) Book value includes freshwater licenses in addition to seawater licenses.

The recognised value of our fish farming licenses in our Statement of Financial Position was EUR 781.4 million and EUR 615.2 million in December 31, 2018 and 2017 respectively. Measured in EUR per kg salmon harvested the values were EUR 2.1 and EUR 1.7 respectively. The lower value in 2017 was mainly related to write down of licenses in Mowi Chile with EUR 97.2 million.

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

SPECIFICATION OF PPE 2018 (EUR MILLION)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	TRANSPORT	NETS, PENS & MOORINGS	UNDER CONSTRUCTION /PREPAYMENTS	OTHER TANGIBLE	TOTAL
Acquisition cost as of 01.01	623.2	985.3	185.8	342.0	212.7	56.6	2 405.6
Acquisitions through business combinations <sup>1)</sup>	12.8	5.5	6.1	7.8	5.6	0.1	38.0
Additions in the year	3.9	14.3	4.0	0.2	242.2	1.2	265.8
Reclassification	35.1	67.8	15.4	33.7	-156.7	0.8	-4.0
Disposals / scrapping in the year	-12.9	-24.5	-0.5	-26.5	—	-1.2	-65.6
Foreign currency adjustments	-0.6	3.7	-1.0	0.9	-2.8	0.8	1.0
<b>Total acquisition cost as of 31.12</b>	<b>661.5</b>	<b>1 052.1</b>	<b>209.8</b>	<b>358.1</b>	<b>301.0</b>	<b>58.3</b>	<b>2 640.7</b>
Accumulated depreciation and impairment losses as of 01.01	256.2	709.0	88.7	220.7	2.8	45.6	1 323.0
Depreciation in the year	27.2	69.8	13.5	34.2	—	4.5	149.3
Impairment losses and reversal of previous write-downs in the year	5.6	4.8	—	0.3	-0.2	0.3	10.8
Reclassification	0.1	—	—	-1.4	—	-0.3	-1.7
Accumulated depreciation and impairment losses on disposals	-12.3	-23.9	-0.5	-25.4	—	-1.2	-63.4
Foreign currency adjustments	0.9	4.9	-0.5	0.6	—	0.8	6.6
<b>Total accumulated depreciation and impairment losses as of 31.12</b>	<b>277.6</b>	<b>764.6</b>	<b>101.3</b>	<b>228.9</b>	<b>2.6</b>	<b>49.6</b>	<b>1 424.7</b>
<b>Total carrying amount as of 31.12</b>	<b>383.8</b>	<b>287.4</b>	<b>108.6</b>	<b>129.2</b>	<b>298.4</b>	<b>8.7</b>	<b>1 216.1</b>
Estimated lifetime	Land; infinite Buildings; 0-20 years	5-20 years	3-10 years	5-10 years	NA	3-10 years	
Depreciation method	Linear	Linear	Linear	Linear	NA	Linear	

1) Mainly related to acquisition of Northern Harvest. See note 22 for more information.



SPECIFICATION OF PPE 2017 (EUR MILLION)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	TRANSPORT	NETS, PENS & MOORINGS	UNDER CONSTRUCTION /PREPAYMENTS	OTHER TANGIBLE	TOTAL
Acquisition cost as of 01.01	605.4	998.7	185.5	348.2	131.2	63.2	2 332.2
Acquisitions through business combinations	1.7	0.6	0.6	0.1	3.9	—	6.9
Additions in the year	2.8	8.4	1.2	—	264.2	1.5	278.1
Reclassification	57.8	68.3	16.3	36.8	-178.7	0.2	0.6
Transfer of assets held for sale	2.4	0.3	—	—	—	—	2.7
Disposals / scrapping in the year	-14.6	-27.3	-4.5	-14.1	—	-4.6	-65.1
Divestments	-0.3	-0.3	—	—	—	—	-0.6
Foreign currency adjustments	-32.0	-63.4	-13.2	-28.9	-8.0	-3.7	-149.2
<b>Total acquisition cost as of 31.12</b>	<b>623.2</b>	<b>985.3</b>	<b>185.8</b>	<b>342.0</b>	<b>212.7</b>	<b>56.6</b>	<b>2 405.6</b>
Accumulated depreciation and impairment losses as of 01.01	258.8	704.7	91.0	214.2	2.7	52.7	1 324.2
Depreciation in the year	23.3	74.9	8.1	34.5	—	3.4	144.0
Impairment losses and reversal of previous write-downs in the year	-0.1	5.0	0.2	0.5	0.3	—	5.9
Reclassification	1.0	-0.4	—	3.8	—	-2.6	1.8
Accumulated depreciation and impairment losses on disposals	-11.7	-27.0	-4.4	-13.9	—	-4.5	-61.5
Divestments	-0.1	-0.2	—	—	—	—	-0.3
Foreign currency adjustments	-15.0	-47.9	-6.1	-18.4	-0.2	-3.4	-91.1
<b>Total accumulated depreciation and impairment losses as of 31.12</b>	<b>256.2</b>	<b>709.0</b>	<b>88.7</b>	<b>220.7</b>	<b>2.8</b>	<b>45.6</b>	<b>1 323.0</b>
<b>Total carrying amount as of 31.12</b>	<b>367.0</b>	<b>276.3</b>	<b>97.1</b>	<b>121.3</b>	<b>209.8</b>	<b>11.1</b>	<b>1 082.7</b>
Estimated lifetime	Land; infinite Buildings; 0-20 years	5-20 years	3-10 years	5-10 years	NA	3-10 years	
Depreciation method	Linear	Linear	Linear	Linear	NA	Linear	

#### Sale of non-current assets

Non-current tangible assets have been sold during the year, and the net gain on the sale of assets (included in the line item Other operating expenses in the consolidated statement of comprehensive income) amounts to EUR 1.9 million in 2018. The corresponding figure for 2017 is EUR 2.2 million.

#### Impairment testing of non-current assets

Impairment tests for specific non-current assets are performed when there are indications of impairment. In 2018, a net loss in fixed assets of EUR 8.2 million was booked in Kritsen, EUR 1.6 million in Chile, EUR 0.33 million in Norway and EUR 0.65 million in Scotland.

#### Contractual commitments

Mowi has entered into significant contractual commitments for the acquisition of property, plant and equipment at year-end 2018. The commitments have been entered into in Farming Norway (EUR 43.5 million), Farming Scotland (EUR 13.2 million), Farming Canada (EUR 12.4 million) and Consumer Products (EUR 2.3 million).

## NOTE 11 - INTEREST-BEARING DEBT

INTEREST-BEARING DEBT (EUR MILLION)	2018	2017
Non-current interest-bearing debt	944.4	467.0
Bond	198.1	—
Convertible bonds	—	306.3
<b>Total non-current interest-bearing debt</b>	<b>1 142.5</b>	<b>773.3</b>
Current interest-bearing debt	0.1	130.3
<b>Total interest-bearing debt</b>	<b>1 142.6</b>	<b>903.6</b>

Financing of the Mowi Group is mainly carried out through the parent company Mowi ASA. External financing is obtained by subsidiaries only if this is optimal for the Group. Mowi complied with its covenants at the end of 2018.

The following programs are the main sources of financing for the Mowi Group as of December 31, 2018:

#### EUR 1,406 MILLION SYNDICATED CREDIT FACILITY

In June 2017, Mowi signed a senior secured five-year, EUR 1,206 million multicurrency revolving credit facility (the "Facility Agreement") with DNB, Nordea, ABN Amro, Rabobank, Danske Bank and SEB. The Facility Agreement included an accordion increase option, which was executed in December 2018, increasing the size of the Facility Agreement by an additional EUR 200 million to EUR 1,406 million. The principal financial covenant of the Facility Agreement is an equity ratio of minimum 35%, but the calculation of the ratio is to be adjusted for the effects of IFRS

16. Furthermore, the ability of the Group to take on new debt is regulated by the loan agreement. The facility has final maturity in June 2022.

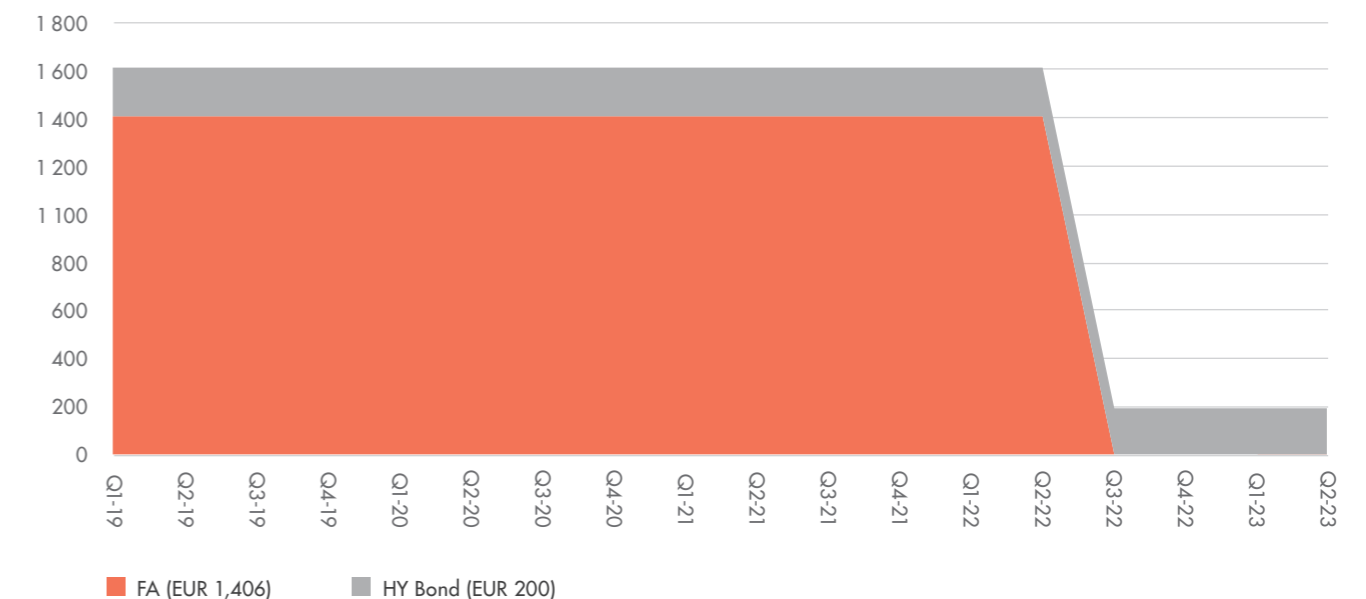
The facility is available to Mowi ASA and selected subsidiaries. In addition, part of the revolving credit facility may be allocated as bilateral credits (including overdraft facilities and facilities for the issuance of guarantees) between syndicate banks and group companies.

Drawings at year end 2018 on the syndicated credit facility amounts to EUR 943.5 million up from 473.7 million at year end 2017.

#### EUR 200 MILLION BOND

In June 2018, Mowi issued an unsecured bond with a principal amount of EUR 200 million. The bond issue carries a coupon of three-month EURIBOR plus 2.15% p.a., payable quarterly. The bond is repayable in June 2023 with no interim installments. The bond is listed on the Oslo Stock Exchange with ISIN : NO 0010824006.

## Financing lines available (committed) and maturity



Mowi has a NIBD target of EUR 1 400 million and an expected interest payment of EUR 55 million in 2019, i.e. an effective interest rate of 3.93%.

CASH MOVEMENTS FINANCING ACTIVITIES (EUR MILLION)	BANK SYNDICATE <sup>4)</sup>	MEUR 200 BOND	MNOK 1250 BOND	MEUR 340 CB <sup>2)</sup>	MEUR 340 CL <sup>2)</sup>	INTEREST RATE SWAPS	FX- INSTRUMENTS	SHARE CAPITAL	OTHER RESERVES
<b>Balance at 1 January 2018<sup>3)</sup></b>	<b>467.7</b>	<b>—</b>	<b>127.5</b>	<b>306.4</b>	<b>75.9</b>	<b>72.6</b>	<b>12.1</b>	<b>383.8</b>	<b>1 930.2</b>
Proceeds from loans and borrowings	468.6	200.0	—	—	—	—	—	—	—
Converted/redeemed	—	—	-130.3	-340.0	-218.2	—	—	20.1	513.7
Transaction cost related to loans and borrowings	-0.8	-2.2	—	—	—	—	—	—	—
Dividend /Repayment of paid in capital*	—	—	—	—	—	—	—	—	-532.4
<b>Total changes from financing cash flows</b>	<b>467.8</b>	<b>197.8</b>	<b>-130.3</b>	<b>-340.0</b>	<b>-218.2</b>	<b>—</b>	<b>—</b>	<b>20.1</b>	<b>-18.7</b>
The effect of changes in foreign exchange rates	7.2	—	3.0	—	—	—	—	—	—
Changes in fair value	—	—	—	—	142.4	-14.3	5.9	—	—
<b>Liability-related</b>	<b>7.2</b>	<b>—</b>	<b>3.0</b>	<b>—</b>	<b>142.4</b>	<b>-14.3</b>	<b>5.9</b>	<b>—</b>	<b>—</b>
Capitalized borrowing cost	2.0	0.3	—	23.8	—	—	—	—	—
Interest expense	14.4	2.4	1.1	9.8	—	19.0	—	—	—
Interest paid	-14.5	-2.2	-1.4	—	—	-18.8	—	—	—
<b>Total liability-related other changes</b>	<b>1.9</b>	<b>0.5</b>	<b>(0.3)</b>	<b>33.6</b>	<b>—</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity-related other changes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>563.2</b>
<b>Balance at 31 December 2018<sup>3)</sup></b>	<b>944.6</b>	<b>198.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>58.6</b>	<b>18.0</b>	<b>404.0</b>	<b>2 474.7</b>

CASH MOVEMENTS FINANCING ACTIVITIES (EUR MILLION)	BANK SYNDICATE <sup>4)</sup>	MNOK 1250 BOND	MEUR 340 CB <sup>2)</sup>	MEUR 340 CL <sup>2)</sup>	MEUR 375 CB <sup>2)</sup>	MEUR 375 CL <sup>2)</sup>	INTEREST RATE SWAPS	FX- INSTRUMENTS	OTHER MOVEMENTS	SHARE CAPITAL	OTHER RESERVES
<b>Balance at 1 January 2017<sup>3)</sup></b>	<b>217.7</b>	<b>137.7</b>	<b>295.4</b>	<b>117.3</b>	<b>343.0</b>	<b>322.3</b>	<b>86.3</b>	<b>-9.0</b>	<b>—</b>	<b>351.8</b>	<b>1 716.5</b>
Proceeds from loans and borrowings	308.2	—	—	—	—	—	—	—	—	—	—
Proceeds/payments from settlement of derivatives	—	—	—	—	—	—	—	-2.2	—	—	—
Converted/redeemed	—	—	—	—	-347.4	-281.2	—	—	—	32.0	596.5
Transaction cost related to loans and borrowings	-8.0	—	—	—	—	—	—	—	—	—	—
Repayment of borrowings	-42.0	—	—	—	—	—	—	—	—	—	—
Repayment of paid in capital	—	—	—	—	—	—	—	—	—	—	-640.3
<b>Total changes from financing cash flows</b>	<b>258.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-347.4</b>	<b>-281.2</b>	<b>—</b>	<b>-2.2</b>	<b>—</b>	<b>32.0</b>	<b>-43.8</b>
The effect of changes in foreign exchange rates	-13.0	-10.4	—	—	—	—	—	—	—	—	—
Changes in fair value	—	—	—	-41.4	—	-41.1	-13.7	23.3	—	—	—
<b>Liability-related</b>	<b>-13.0</b>	<b>-10.4</b>	<b>—</b>	<b>-41.4</b>	<b>—</b>	<b>-41.1</b>	<b>-13.7</b>	<b>23.3</b>	<b>—</b>	<b>—</b>	<b>—</b>
Capitalized borrowing cost	3.8	0.3	11.0	—	4.9	—	—	—	—	—	—
Interest expense	6.3	5.9	0.4	—	1.0	—	10.6	—	2.5	—	—
Interest paid	-5.3	-5.9	-0.4	—	-1.5	—	-10.6	—	-2.5	—	—
<b>Total liability-related other changes</b>	<b>4.8</b>	<b>0.2</b>	<b>11.0</b>	<b>—</b>	<b>4.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity-related other changes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>257.5</b>
<b>Balance at 31 December 2017<sup>3)</sup></b>	<b>467.7</b>	<b>127.5</b>	<b>306.4</b>	<b>75.9</b>	<b>—</b>	<b>—</b>	<b>72.6</b>	<b>12.1</b>	<b>—</b>	<b>383.8</b>	<b>1 930.2</b>

1) CB= Convertible bond;

2) CL= Conversion Liability

3) Included accrued interest

4) Closing balance includes bank overdrafts of EUR 31m

## NOTE 12 - FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS IMPACT ON COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Interest expenses	-37.8	-26.8
Amortized interest cost	-12.1	-19.9
<b>Interest expenses</b>	<b>-50.0</b>	<b>-46.7</b>
Net currency effects on interest-bearing debt	-2.0	25.0
Net currency effects on cash, trade receivables and trade payables	-11.9	-9.1
Gain/loss on short-term currency hedges	-4.2	-2.7
Gain/loss on long-term currency hedges	0.5	-21.9
<b>Net currency effects</b>	<b>-17.7</b>	<b>-8.8</b>
Interest income	3.0	1.2
Gain/loss on salmon derivatives non-operational	0.4	-4.0
Change in fair value other financial instruments	14.6	14.5
Change in fair value conversion liability component of convertible bonds	-142.3	82.4
Dividends and gain/loss on sales of other shares	—	0.1
Net other financial items	-1.1	-1.1
<b>Other financial items</b>	<b>-125.5</b>	<b>93.2</b>
<b>Total financial items</b>	<b>-193.2</b>	<b>37.7</b>

CATEGORIES OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	FINANCIAL ASSETS AND LIABILITIES			TOTAL
	DEBT INSTRUMENTS AT AMORTIZED COST	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	NON-FINANCIAL ASSETS AND LIABILITIES	
DECEMBER 31, 2018				
<b>Non-current assets</b>				
Other non-current financial assets	—	0.4	—	0.4
<b>Current assets</b>				
Trade receivables	493.3	—	—	493.3
Other receivables	111.5	—	31.3	142.8
Other current financial assets	—	0.8	—	0.8
Cash	105.3	—	—	105.3
<b>Non-current liabilities</b>				
Non-current interest-bearing debt	-1 142.5	—	—	-1 142.5
Other non-current financial liabilities	—	—	—	—
<b>Current liabilities</b>				
Current interest-bearing debt	-0.1	—	—	-0.1
Trade payables	-280.2	—	—	-280.2
Other current financial liabilities	—	-77.3	—	-77.3
Other current liabilities	-64.8	—	-143.7	-208.5
<b>Total</b>	<b>-777.5</b>	<b>-76.1</b>		
<b>Fair value *</b>	<b>-781.5</b>	<b>-76.1</b>		

\*Difference in fair value is related to Non-current interest-bearing debt(Bond).

CATEGORIES OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	FINANCIAL ASSETS AND LIABILITIES			TOTAL
	DEBT INSTRUMENTS AT AMORTIZED COST	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	NON-FINANCIAL ASSETS AND LIABILITIES	
DECEMBER 31, 2017				
<b>Non-current assets</b>				
Other non-current financial assets	—	0.4	—	0.4
<b>Current assets</b>				
Trade receivables	477.6	—	—	477.6
Other receivables	69.4	—	29.7	99.1
Other current financial assets	—	7.2	—	7.2
Cash	71.7	—	—	71.7
<b>Non-current liabilities</b>				
Non-current interest-bearing debt	-773.3	—	—	-773.3
Other non-current financial liabilities	—	-75.9	—	-75.9
<b>Current liabilities</b>				
Current interest-bearing debt	-130.3	—	—	-130.3
Trade payables	-280.9	—	—	-280.9
Other current financial liabilities	—	-91.8	—	-91.8
Other current liabilities	-64.8	—	-131.7	-196.5
<b>Total</b>	<b>-630.6</b>	<b>-160.5</b>		

There has not been any reclassification between the categories of financial assets or liabilities in 2018, or 2017. Details regarding the criteria for recognition and the basis for measurement of each class of financial instrument are disclosed in Note 2 Significant accounting principles.

OTHER CURRENT FINANCIAL ASSETS (EUR MILLION)	2018	2017
Market value of financial instruments	—	—
Currency hedges	0.8	7.2
<b>Other current financial assets as of 31.12</b>	<b>0.8</b>	<b>7.2</b>

OTHER CURRENT FINANCIAL LIABILITIES (EUR MILLION)	2018	2017
Currency hedges	18.8	19.3
Interest rate swaps	58.6	72.5
<b>Other current financial liabilities as of 31.12</b>	<b>77.3</b>	<b>91.8</b>

## FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value of financial instruments carried at amortized cost

The Group considers that the carrying amount of financial assets and liabilities recognised at amortized cost in the financial statements approximates their fair value. See Note 11 for further information regarding convertible bonds.

### Fair value measurements recognised in the statement of financial position

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy of three different levels, based on the degree to which the fair value is observable:

#### Level 1:

Fair value determined directly by reference to published quotations.

#### Level 2:

Fair value estimated using a valuation technique based on observable data.

#### Level 3:

Fair value estimated using a valuation technique based on unobservable data.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (EUR MILLION)	NOTE	2018			2017		
		LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial assets/liabilities to fair value through profit or loss:</b>							
Current currency hedges		—	0.8	—	—	7.2	—
Conversion liability component of convertible bond	11	—	0	—	—	-75.9	—
Interest swaps		—	-58.6	—	—	-72.5	—
Current currency hedges		—	-18.8	—	—	-19.3	—
<b>BONDS AT AMORTIZED COST, FAIR VALUE</b>		—	<b>-202.1</b>	—	—	<b>-439.6</b>	—

The own non-performance risk as at December 31, 2018 was assessed to be insignificant. There were no transfers between the levels in 2018 or 2017.

## NOTE 13 - CAPITAL MANAGEMENT AND RISK MANAGEMENT

### LEVERAGE AND CAPITAL ACCESS

Leverage and Capital access (i.e. Capital management) refers to the process of acquiring and utilizing capital in the most efficient manner compared to the available alternatives. The primary objective of the Group's capital management is to ensure access to capital contributing to satisfactory operations and maximum generation of shareholder value. The Group manages its capital structure and makes adjustments in light of changes in underlying economic conditions. Access to borrowed capital is continuously monitored and the Group has a continuous dialogue with its lenders. The syndicated loan facility sets forth an equity ratio as the only financial covenant. The remaining portfolio of interest bearing debt does not include more restrictive financial covenants. Mowi complied with the covenant in its loan agreements during and at the end of 2018. Details relating to the main loan programs in the Group are described in Note 11.

Mowi intends to maintain an equity base suited to the characteristics of the operations, taking into consideration that fish farming is a cyclical business. Capital not deemed necessary for further growth will be returned to shareholders as dividends or repurchase of shares. At year-end 2018, the equity of Mowi amounted to EUR 2 879.0 million. The equity share, defined by equity/total assets, was at the same time 56.0%. Net interest bearing debt, defined as total interest-bearing debt less cash was EUR 1 037.2 million at year-end, below the long-term target of EUR 1 400 million. The Board of Directors of Mowi ASA considers the equity in the Group appropriate for the scale of the operation.

A dividend policy has been resolved by the Board of Directors. The policy states that:

- The quarterly dividend level shall reflect the present and expected future cash flow generation of the Company.
- To this end, a target level for net interest bearing debt is determined, reviewed and updated on a regular basis.
- When the target is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.

The Board of Directors has further adopted guidelines targeting quarterly dividend distribution, whereby each dividend proposal shall be dimensioned with a view to manage net interest bearing debt around a target level. The target level is dimensioned relative to the scope of the Group's operations and was at year end 2018 equaling a NIBD target of EUR 1 400 million.

The Board of Directors of Mowi ASA has been given proxies from the Annual General Meeting in June 2018 to:

- Purchase shares in the Company up to a maximum total nominal value of NOK 367 625 833 which equals approximately 10% of the share capital.
- Increase the Company's share capital through issuance of new shares with an aggregate nominal value of up to NOK 367 625 833.

- Raise convertible bond loans with a maximum par value of NOK 3 200 million, convertible into a maximum number of new shares equivalent to a total nominal value of NOK 3676 million.
- Distribute dividends, up to an aggregate amount of NOK 7,5 billion based on the Company's annual accounts for 2017

The Group's principal financial liabilities, other than loans, consist of non-convertible bonds, derivatives and trade payables. These financial liabilities constitute the majority of the Group's third party financing. The Group holds financial assets such as trade receivables, cash and shares.

The Group uses financial derivatives, mainly currency forward contracts, interest rate swaps and financial salmon futures, using large international banks and Fish Pool ASA as counterparts. The purpose of these derivatives is to manage the interest rate, currency and salmon price risks arising from the operations of the Group. With the exception of financial salmon futures, no trading activities in financial instruments are undertaken. On a selective basis, the Group also enters into other financial derivatives such as equity forward contracts.

Details regarding significant accounting policies for financial assets and liabilities are disclosed in Note 2 Significant accounting policies.

### FINANCIAL RISK MANAGEMENT

The Group monitors and manages the financial risks arising from the operations. These include currency risks, interest rate risk, credit risk and price/liquidity risk.

The Group seeks to manage these risks through operational measures or (where such measures are not available) through the use of financial derivatives.

A policy on the management of these risks has been approved by the Board of Directors. The policy includes principles on currency risk, interest rate risk, price risk, the use of financial instruments and other operational means as well as limits on the maximum and minimum levels of these exposures.

### CURRENCY RISK

In the Mowi Group, several Business Units carry out a large number of business transactions in currencies different from the domestic currency. For the Group, the relative importance of these transactions is substantially larger on the revenue side than on the cost side. To mitigate the potential fluctuation effects on its cash flows, the Group maintains a foreign exchange strategy designated to manage these exposures both in the short and long term. For each of Mowi's units, the Group has defined a hedging strategy. According to the hedging strategy, units located in the following regions generate cash flow in currencies (main hedging currencies) according to the below table.

REGION	HEDGING CURRENCY
Norway	EUR
Chile	USD
Canada	USD
Scotland	GBP
Ireland	EUR
The Faroe Islands	EUR
Consumer Products	EUR
Asia	USD
Feed	EUR

For some units the main hedging currency is different from the functional currency.

Transaction exposures arise from firm commitments made to transact in a currency different from the main currency. The transaction exposure depends on the duration of the commitment, but will normally be of relatively short duration. Hedging transactions designated to manage transaction exposures are referred to as transaction hedges.

Through hedging of transaction exposures, each Business Unit aims to ensure that its net cash flows in currencies other than its main hedging currency are hedged towards this currency. Further exposures arise from structural imbalances between the main currencies on the revenue side versus the expense side. These imbalances are predominantly

a result of production taking place in a country different from where the product is sold. Due to their structural nature, the exposures are of a longer horizon than for transaction exposures and are therefore quantified on the basis of estimates for future revenues and expenses. In this estimation, focus is kept on the underlying currency structure of the individual revenue and cost item and the actual currency in which transactions are invoiced is of lesser importance.

The Mowi Group normally has a net positive cash flow exposure towards EUR, GBP, USD and JPY and a net negative cash flow exposure towards NOK, CAD and CLP. To hedge Group cash flows against exchange rate fluctuations Mowi has a policy for long-term hedging of the most predominant net exposures. The Group currently hedges up to 30% of its underlying exposure between EUR/NOK and USD/CAD with a horizon of two years.

As of December 31, 2018 the Group held a portfolio of hedging instruments designated to mitigate transaction and cash flow exposure with a total contract value of EUR 762.9 million (665.9 million). Instruments equivalent to 65% of the contract value mature in 2019 and no instrument matures beyond June 2021. The portfolio had a net negative market value of EUR 18.0 million (12.1 million) at year-end.

#### Currency exposure in the statement of financial position

As a consequence of the Group's net cash flows being generated in EUR, GBP and USD, the interest-bearing debt should reflect this currency structure. On December 31, 2018, the portfolio was in line with policy.

CURRENCY STRUCTURE OF NET INTEREST-BEARING DEBT (EUR MILLION)	NOK	USD	EUR	GBP	JPY	DKK	CAD	PLN	OTHER	TOTAL
Cash and cash equivalents	24.7	21.7	21.1	9.9	6.5	2.0	8.5	4.0	7.0	105.3
Current interest-bearing debt	—	—	—	0.1	—	—	—	—	—	0.1
Non-current interest-bearing debt	27.7	48.0	1 050.0	16.7	—	—	—	—	—	1 142.4
<b>Net interest-bearing debt</b>	<b>3.0</b>	<b>26.4</b>	<b>1 028.9</b>	<b>6.9</b>	<b>-6.5</b>	<b>-2.0</b>	<b>-8.5</b>	<b>-4.0</b>	<b>-6.9</b>	<b>1 037.2</b>

The carrying amount of interest-bearing debt has been reduced by EUR 7.8 million (7.2 million) in transaction costs. There are no significant differences between the carrying amount and the fair value of non-current interest-bearing debt and leasing.

#### SENSITIVITY ANALYSIS - CHANGE IN EXCHANGE RATES

The main sources of sensitivity to exchange rate movements are the long-term hedges of exposure to EUR/NOK and USD/CAD and loans in NOK, USD and GBP under the multicurrency revolving credit facility. Based on the exposure as of December 31, 2018, the effect of a 15% change in exchange rates on the long-term currency hedges and the multicurrency loan positions has been estimated:

CURRENCY PAIR (EUR MILLION)	EUR/NOK	EUR/USD	EUR/GBP	USD/CAD
Effect in EUR from a 15% increase in the value of	EUR	EUR	EUR	CAD
Financial items	-49.6	6.3	2.2	7.5

#### INTEREST RATE RISK

Mowi ASA shall over time hedge 0%-35% of the Group's long-term interest bearing debt by currency with fixed interest or interest rate derivatives for the first 5 years, and 0% thereafter. Interest-bearing debt includes external interest-bearing debt and leasing in the parent company or subsidiaries. The interest rate hedges shall be based on the targeted currency composition. Interest rate exposure in other currencies than EUR, USD, GBP and NOK shall not be hedged. All interest rate hedging shall be executed from the parent company. At year-end 2018

the Group had a portfolio of interest swaps with a net negative market value of EUR -58.6 million (-72.6 million) after an increase in market value during 2018 of EUR 14.0 million (13.7 million), recognised through profit and loss.

The portfolio held at the end of 2018, will ensure the payment of the following weighted fixed rates against receipt of three month EURIBOR/LIBOR for each of the below currencies and periods:

NOMINAL AMOUNT OF INTEREST RATE SWAPS AND WEIGHTED AVERAGE FIXED RATE (MILLION)	EUR		USD		GBP	
	NOMINAL VALUE	WEIGHTED FIXED RATE	NOMINAL VALUE	WEIGHTED FIXED RATE	NOMINAL VALUE	WEIGHTED FIXED RATE
UNTIL MARCH 2019	546.0	3.26%	138.5	3.21%	34.0	3.13%
MARCH 2019 - MARCH 2020	970.5	3.27%	167.5	2.93%	34.0	3.13%
MARCH 2020- MARCH 2021	380.0	2.13%	78.3	2.31%	23.5	2.83%
MARCH 2021- MARCH 2022	380.0	2.20%	78.3	2.31%	23.5	2.83%
MARCH 2022- MARCH 2023	—	—	60.0	4.13%	—	—
<b>MARKET VALUE (EUR MILLION)</b>	<b>2018</b>					
EUR	-56.0					
USD	-0.8					
GBP	-1.8					
<b>TOTAL</b>	<b>-58.6</b>					

A 0.50% point parallel increase in all relevant yield curves will cause a EUR 11.4 million (14.9 million) increase in the market value. This change would be recognised through profit and loss. Based on the long-term debt outstanding as of December 31, 2018 a 0.50% point parallel increase in all relevant yield curves would result in an estimated increase in the Group's annual interest cost of EUR 2.0 million.

#### CREDIT RISK

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a main rule the Group's trade receivables are fully credit insured. The Group is monitoring exposure towards individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of December 31, 2018. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables, with reference to Note 17. The Group considers concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in different markets.

The Group only enters into derivative transactions with counterparties with an established business relationship to the Group.

#### PRICE/LIQUIDITY RISK

The Group is continuously monitoring liquidity and estimates expected liquidity development on the basis of budgets and monthly updated forecasts from the units. Mowi's financial position and development depend significantly on the spot price developments for salmon, and these prices have historically been volatile. As such Mowi is exposed to movements in supply and demand for salmon. Mowi has to some extent mitigated its exposure to spot prices by entering into bilateral fixed price/volume contracts with its' customers. The contract share has normally varied between 20% and 50% of our sold volume, however hedged volumes can increase up to 65% under special circumstances, and the duration of the contracts has typically been three to eighteen months. Furthermore Mowi is reducing the exposure to spot price movements through the value added processing activities and tailoring of products for its customers. Other key liquidity risks are fluctuations in production and harvest volumes, biological issues, and changes in the feed price, which is the most important individual factor on the cost side. Feed costs are correlated to the marine and agricultural commodity prices of the ingredients.

Mowi's aim is to maintain a balance between long-term financing and flexibility by using credit facilities, new borrowings and bonds.

MATURITY PROFILE OF THE FINANCIAL LIABILITIES AND DERIVATIVES BASED ON CONTRACTUAL UNDISCOUNTED PAYMENTS, INCLUDING INTEREST (EUR MILLION)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	WITHIN 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
<b>Non-derivative financial liabilities</b>						
Syndicated loan	-944.3	-995.8	-13.0	-13.0	-969.7	—
Unsecured bond	-198.3	-219.6	-4.3	-4.3	-211.0	—
Leasing debt	-0.1	-0.1	-0.1	—	—	—
Trade payables and other liabilities	-280.3	-280.9	-280.9	—	—	—
<b>Derivative financial liabilities</b>						
Interest rate swaps	-58.6	-62.7	-32.7	-16.5	-13.5	—
Cash flow hedges	-16.8	-10.1	-8.7	-1.4	—	—
Transaction hedges	-1.9	-1.6	-1.5	-0.1	—	—
<b>Total financial liabilities</b>	<b>-1 500.3</b>	<b>-1 570.8</b>	<b>-341.3</b>	<b>-35.3</b>	<b>-1 194.2</b>	<b>—</b>

## NOTE 14 - REMUNERATION

SALARY AND PERSONNEL EXPENSES (EUR MILLION)	2018	2017
Salaries	-341.0	-327.4
Cash bonuses	-20.7	-22.7
Social security taxes	-49.5	-49.0
Pension expenses	-14.6	-13.9
Share price based bonus	-2.8	-2.8
Temporary labor	-55.5	-42.3
Other benefits	-20.9	-19.8
<b>Total salary and personnel expenses</b>	<b>-505.0</b>	<b>-477.9</b>
<b>Average number of employees</b>	<b>13 885</b>	<b>12 975</b>

At year-end 2018 there were 14 537 full-time employee equivalent in the Group.

REMUNERATION TO SENIOR EXECUTIVES <sup>1)</sup> (EUR MILLION)	2018	2017
Salaries and other short-term employee benefits	4.2	4.3
Post-employment benefits	0.3	0.3
Share-based payments	4.0	4.9
<b>Total remuneration to senior executives</b>	<b>8.5</b>	<b>9.5</b>

<sup>1)</sup> See Note 14 to the financial statements for Mowi ASA for a specification of senior executives.

## SHARE OPTION SCHEME

Mowi Group has a share-price based bonus scheme for Senior Executives, and management and key experts of Business Areas, subsidiaries and group functions:

OUTSTANDING OPTIONS PER ALLOTMENT	2018-ALLOTMENT OF CALL OPTIONS	2017-ALLOTMENT OF CALL OPTIONS	2016-ALLOTMENT OF CALL OPTIONS	2015-ALLOTMENT OF CALL OPTIONS
Distributed options	1 500 000	1 460 000	1 499 993	1 475 000
Forfeited options	-45 000	-145 000	-148 461	-300 000
Dividend adjustment	40 651	143 225	271 860	307 583
<b>Total options outstanding at year end <sup>1)</sup></b>	<b>1 495 651</b>	<b>1 458 225</b>	<b>1 623 392</b>	<b>1 482 583</b>
Strike price December 31, 2018 (NOK)	<b>173.28</b>	<b>145.87</b>	<b>127.41</b>	<b>79.59</b>
<b>Number of employees in the scheme at year end</b>	<b>25</b>	<b>20</b>	<b>16</b>	<b>12</b>

<sup>1)</sup> None of the options were exercisable at year-end 2018.

The Share-Price-Based Bonus Scheme comprises annual allocations by the Board of Directors of a number of European call options with a strike price of 107.5% of the share price of Mowi's shares at the date of the annual general meeting authorizing allocations under the scheme. The options have a term of four years but will become exercisable immediately if a mandatory bid is made for all of the shares in Mowi or if Mowi is the non-surviving entity in a merger with another company. If the holder of the options exercises the options, the company may settle its obligation through the issue of new shares or, alternatively, by selling treasury shares to the option holder. There will be no lock-up obligation on the shares the option holder receives through the exercise of the option. The exercise of the option is conditional upon the option holder being employed in a non-terminated position in the Group on the date of exercise.

The number of shares and the strike price will be adjusted for dividends and changes in equity capital during the term of the option in accordance with Oslo Stock Exchange derivative rules (A.2.2.8(1)b). Total profit through the exercise of the option in a year is capped at two years' salary for the option holder. If the profit exceeds this limit, the number of shares to be issued will be reduced accordingly. Following the 2018 annual general meeting (the "AGM"), the Board of Directors allocated 1 500 000 options with a strike price corresponding to 107.5% of the volume-weighted average share price on the OSE on the day of the AGM (NOK 178.1164) to a total of 26 individuals.

Eligibility to the senior executive share option scheme is limited to: Group CEO, other Senior Executives and management and key experts of Business Areas, subsidiaries and group functions, based on the following criteria:

- the position and individual is important in realizing the Mowi Group ambitions;
- the individual is considered critical for the Business Unit(s);
- the individual is expected to continue in a role covered by the scheme;
- the individual will not retire during the first year of the scheme

## SHARE PURCHASE PROGRAM

All permanent employees in Mowi ASA and its Norwegian subsidiaries have the opportunity to acquire shares in the Company within the scope of the Norwegian Tax Act Section 5-14. These provisions entitle this group of employees to receive a tax-free benefit of NOK 3 000 in connection with their participation in such a scheme.

Permanent employees in Mowi Scotland and Mowi Canada have also been offered the opportunity to buy shares, though without any element of tax-free discount. No loans or guaranties have been granted to key management personnel.

## PENSION PLANS

Pension plans in the Group are mainly defined contribution plans. There are a few defined benefits plans, which are considered to be immaterial for the Groups financial statements.

PENSION PLANS (EUR MILLION)	PENSION COST	PENSION NET LIABILITY (FUND) 31.12
Mowi Norway <sup>1)</sup>	7.8	—
Mowi Scotland	1.6	-9.5
Mowi Canada	1.6	—
Corporate	0.6	5.3
Other entities	3.0	3.2
<b>Total 2018</b>	<b>14.6</b>	<b>-1.0</b>
<b>Total 2017</b>	<b>13.9</b>	<b>0.9</b>

1) The term Mowi Norway includes both of the legal entities Mowi Norway AS and Mowi Markets Norway AS.

## NOTE 15 - TAXES

INCOME TAXES FOR THE YEAR IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Norway	-117.9	-67.8
Foreign units	-39.2	-71.4
<b>Tax on profits (current tax)</b>	<b>-157.1</b>	<b>-139.1</b>
Norway	-2.7	21.6
Foreign units	-5.2	57.7
<b>Change in deferred tax</b>	<b>-7.9</b>	<b>79.2</b>
<b>Total income taxes related to profit for the year</b>	<b>-165.0</b>	<b>-59.9</b>

RECONCILIATION BETWEEN NOMINAL AND EFFECTIVE TAX RATES (EUR MILLION)	2018	2017
Profit before tax	732.2	522.6
Nominal tax rate	23%	24%
<b>Tax calculated with nominal tax rate</b>	<b>-168.4</b>	<b>-125.4</b>
Non-taxable income/loss on sale of shares	—	—
Change in value of conversion liability component	-31.6	18.8
Amortization borrowing costs	-2.0	-3.1
Non-taxable income/loss from associated companies	15.9	15.2
Non-taxable income/loss on change in market value on financial instruments	—	—
Non-taxable income/loss on change in market value on other shares	—	—
Effect of changed tax rate on deferred tax positions	12.1	14.5
Effect of adjustment of income tax from previous years	-0.9	-0.4
Effect of recognition of previously non-recognised tax assets	19.6	19.3
Effect of non-recognition of losses and tax assets	-1.3	-1.1
Withholding tax	-3.1	-2.7
Other permanent differences	-9.4	1.6
Effect of different tax rates compared to nominal rate	4.0	3.4
<b>Total income taxes</b>	<b>-165.0</b>	<b>-59.9</b>

TAX FOR THE YEAR RECOGNISED IN OTHER COMPREHENSIVE INCOME (EUR MILLION)	2018	2017
Deferred tax related to income/cost recognised as other comprehensive income	—	—
Deferred tax related to actuarial gains/losses in other comprehensive income	-0.2	—
<b>Total tax for the year recognised in other comprehensive income</b>	<b>-0.2</b>	<b>—</b>

TAX PREPAID/RECEIVABLE IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2018	2017
Tax prepaid/receivable in Norway	—	—
Tax prepaid/receivable in foreign units	4.1	3.1
<b>Total tax prepaid/receivable in the statement of financial position</b>	<b>4.1</b>	<b>3.1</b>

TAX PAYABLE IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2018	2017
Tax payable in Norway	112.0	65.7
Tax payable in foreign units	8.1	25.1
<b>Total tax payable in the statement of financial position</b>	<b>120.1</b>	<b>90.8</b>

SPECIFICATION OF DEFERRED TAX AND BASIS FOR DEFERRED TAX/TAX ASSETS TAX INCREASING/REDUCING TEMPORARY DIFFERENCES (EUR MILLION)	2018	2017
Non-current assets	389.9	773.3
Current assets	226.0	761.3
Debt	-39.9	-43.1
Pension obligation	-7.6	-8.4
Tax losses carried forward	-85.1	-21.2
Other differences	41.2	15.3
<b>Total temporary differences</b>	<b>524.6</b>	<b>1 477.2</b>
Tax losses carried forward in Norway	-4.9	-11.6
Other temporary differences in Norway	101.0	1 099.5
Tax losses carried forward abroad	-80.2	-9.6
Other temporary differences abroad	508.7	398.8
<b>Total temporary differences</b>	<b>524.6</b>	<b>1 477.2</b>

TOTAL DEFERRED TAX ASSET/LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2018	2017
Deferred tax assets	22.9	13.1
Deferred tax liabilities	-413.6	-353.9
<b>Net deferred tax in the statement of financial position</b>	<b>-390.8</b>	<b>-340.9</b>

Mowi has recognised deferred tax assets related to tax losses carried forward. This is based on the expectation of probable sufficient earnings in the future, mainly in Chile where the majority of tax losses carried forward are located. The expectations are based on current earnings and approved budgets. Deferred tax assets related to tax losses carried forward at a total of EUR 79.5 million have not been recognised due to uncertain utilization.

Deferred tax assets linked to tax losses are offset against deferred tax liabilities in the tax jurisdictions, where acceptable.

MATURITY OF TAX LOSSES WHERE DEFERRED TAX LOSS IS RECOGNISED			
TO YEAR (EUR MILLION)	NORWAY	ABROAD	TOTAL
2019	—	—	—
2020	—	—	—
2021	—	—	—
2022	—	0.4	0.4
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026	—	—	—
2027	—	—	—
2028+	—	—	—
Unlimited	4.9	79.7	84.6
<b>Total 2018</b>	<b>4.9</b>	<b>80.2</b>	<b>85.1</b>
Total 2017	11.6	9.6	21.2

MATURITY OF TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED			
TO YEAR (EUR MILLION)	NORWAY	ABROAD	
2019	—	—	—
2020	—	—	—
2021	—	—	—
2022	—	—	—
2023	—	0.5	0.5
2024	—	—	—
2025	—	5.2	5.2
2026	—	18.2	18.2
2027	—	—	—
2028+	—	1.8	1.8
Unlimited	—	53.9	53.9
<b>Total 2018</b>	<b>—</b>	<b>79.5</b>	<b>79.5</b>
Total 2017	—	168.9	168.9

TAX RATES APPLIED (SELECTED COUNTRIES)		
COUNTRIES	2018	2017
Japan	30.5%	30.9%
USA	35.0%	35.0%
Belgium	29.6%	34.0%
Germany	29.0%	29.1%
France	33.3%	33.3%
Norway	23.0%	24.0%
China	25.0%	25.0%
Netherlands	25.0%	25.0%
Scotland	19.0%	19.3%
Canada West	27.0%	26.0%
Canada East	29.6%	29.4%
Faroe Islands	18.0%	18.0%
Chile	27.0%	25.5%
Poland	19.0%	19.0%
Ireland	12.5%	12.5%

## NOTE 16 - CASH

CASH (EUR MILLION)	2018	2017
Cash in bank	93.9	59.1
Employees' tax deduction	5.4	5.2
Other restricted cash <sup>1)</sup>	6.0	7.4
<b>Total cash</b>	<b>105.3</b>	<b>71.7</b>

1) Other restricted cash is mainly composed of deposits to fulfill collateral requirements for financial instruments.

## NOTE 17 - TRADE RECEIVABLES AND OTHER RECEIVABLES

SPECIFICATION OF RECEIVABLES (EUR MILLION)	2018	2017
Trade receivables	497.6	480.7
Provisions for expected credit losses	-4.3	-3.1
<b>Net trade receivables</b>	<b>493.3</b>	<b>477.6</b>
Prepayments	18.1	16.7
Pension fund	10.2	9.7
Tax prepaid/receivable	3.5	3.1
Other	111.0	64.9
<b>Other receivables</b>	<b>142.8</b>	<b>99.1</b>
<b>Total trade receivables and other receivables</b>	<b>636.1</b>	<b>576.7</b>

Based on the nature of business, the Group does not have any material contract assets.

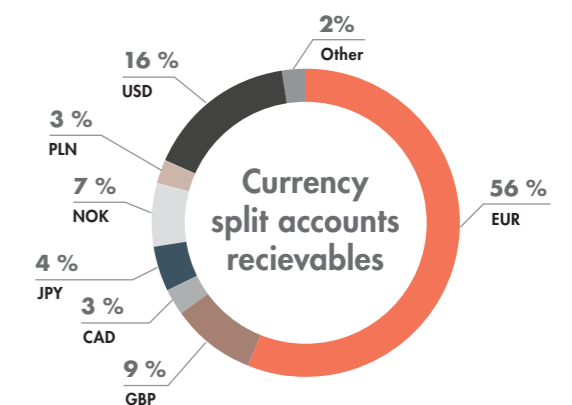
AGE DISTRIBUTION OF TRADE RECEIVABLES (EUR MILLION)	2018	2017
Receivables not overdue	434.8	408.7
Overdue 0-6 months	57.5	66.5
Overdue more than 6 months	5.4	5.6
<b>Total trade receivables</b>	<b>497.6</b>	<b>480.7</b>

## MOVEMENT IN PROVISIONS FOR CREDIT LOSSES (TRADE RECEIVABLES)

At the beginning of 2018, provisions for credit losses amounted to EUR 3.1 million. During 2018, EUR 2.1 million were considered lost. Adjusted for additional provisions for credit losses of EUR 3.3 million the provision at year-end amounted to EUR 4.3 million for 2018. See also Note 13.

## CURRENCY EXPOSURE TO TRADE RECEIVABLES

The Business Units generally complete their sales in the main trading currency in the country of destination. The carrying amount of trade receivables per currency is presented below.





## NOTE 18 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

CURRENT LIABILITIES (EUR MILLION)	2018	2017
<b>Trade payables <sup>1)</sup></b>	<b>280.2</b>	<b>280.9</b>
<b>Other current liabilities</b>		
Salaries and vacation pay due	44.4	35.3
Social security and other taxes	23.4	24.0
Accrued expenses	63.2	63.1
Other liabilities	77.4	74.1
<b>Total other current liabilities</b>	<b>208.5</b>	<b>196.5</b>

1) As of year-end 2018 the payable related to the Supply Chain Financing was 40.3 million EUR (54.4 million EUR at year-end 2017).

Based on the nature of business, the Group does not have any material contract liabilities.

CURRENT INTEREST-BEARING DEBT TO FINANCIAL INSTITUTIONS (EUR MILLION)	2018	2017
Bank overdrafts	—	3.0
Other current interest-bearing debt	0.1	127.2
<b>Total current interest-bearing debt</b>	<b>0.1</b>	<b>130.3</b>

UNUSED DRAWING RIGHTS (EUR MILLION)	2018	2017
Unused part of bank overdraft facility (to be renewed within one year)	7.0	7.0
Unused part of bank overdraft facility (to be renewed in more than one year)	47.6	44.6
Unused part of other drawing rights (to be renewed in more than one year)	396.6	672.3
<b>Total unused drawing rights</b>	<b>451.2</b>	<b>723.9</b>

## NOTE 19 - SECURED LIABILITIES AND GUARANTEES

DEBT SECURED BY MORTGAGES AND PLEDGES (EUR MILLION)	2018	2017
Debt to financial institutions	984.4	524.0
Leasing debt	0.1	0.4
<b>Total debt secured by mortgages and pledges</b>	<b>984.5</b>	<b>524.4</b>
Guarantee commitments <sup>1)</sup>	28.3	26.0

1) In addition Mowi Group has provided a guarantee on behalf of an associated company to an unrelated party for commitments that may arise in connection with the purchase contract for a new vessel. Mowi ASA has also provided an ultimate parent company guarantee for commitments that may arise under the contract with the main supplier to the construction of the new feed factory in Scotland.

The Mowi Group syndicated loan facility has been established with security in current assets, licenses (where applicable), fixed assets and guarantees from some of the entities in the Group. In addition the shares in larger subsidiaries have been pledged in favor of the bank syndicate.

ASSETS PLEDGED AS SECURITY FOR DEBT (EUR MILLION)	2018	2017
Tangible non-current assets and licenses	1 166.5	1 058.8
Inventory and biological assets	1 546.1	1 669.5
Trade receivables	316.3	287.5
Other assets	186.0	160.3
<b>Total assets pledged as security</b>	<b>3 214.9</b>	<b>3 176.0</b>

## NOTE 20 - OTHER NON-CURRENT LIABILITIES

OTHER NON-CURRENT LIABILITIES (EUR MILLION)	2018	2017
Net pension obligations	9.1	10.6
Other non-current liabilities	1.8	1.4
<b>Total other non-current liabilities</b>	<b>11.0</b>	<b>12.0</b>

## NOTE 21 - INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies are companies where Mowi Group has a significant ownership interest, ranging from 20-50%, and where Mowi Group is able to exercise significant influence.

Associated companies are recorded in Mowi Group statements in accordance with the equity method. None of the associated companies are listed.

ASSOCIATED COMPANIES (EUR MILLION)	HEAD OFFICE	OWNER-SHIP	OWNED BY	AQUISITION COST	CARRYING AMOUNT 01.01.18	SHARE OF PROFIT 2018	DIVIDENDS RECEIVED 2018	OTHER CHANGES 2018 <sup>1)</sup>	CARRYING AMOUNT 31.12.18
Nova Sea AS	Lovund	48%	Marine Harvest Holding AS	28.2	148.7	42.8	-25.5	-1.4	164.6
DESS Aquaculture Shipping AS <sup>2)</sup>	Grimstad	50%	Marine Harvest Holding AS	41.8	12.2	-0.2	—	30.4	42.4
Finnøy Fisk AS	Finnøy	45%	Mowi Norway AS	2.4	8.0	2.2	-1.7	2.8	11.2
Others				0.3	1.8	0.7	—	-0.1	2.4
<b>Total</b>				<b>72.8</b>	<b>170.7</b>	<b>45.5</b>	<b>-27.3</b>	<b>31.7</b>	<b>220.6</b>

1) Other changes includes subscription of shares in DESS Aquaculture Shipping AS of EUR 31.3 million. Remaining other changes relates to foreign currency adjustments and movements in loans.

2) The investment in DESS Aquaculture Shipping AS has been reclassified from an interest in a joint venture due to changes in the shareholder structure in 2018.

ASSOCIATED COMPANIES 100 % BASIS (EUR MILLION)	DIVIDEND RECEIVED	FAIR VALUE ADJUSTMENT BIOMASS <sup>1)</sup>	TOTAL REVENUE	TOTAL PROFIT AND LOSS	TOTAL NON-CURRENT ASSETS	TOTAL BIOLOGICAL ASSETS	TOTAL OTHER CURRENT ASSETS	TOTAL NON-CURRENT LIABILITIES	TOTAL CURRENT LIABILITIES
<b>2018</b>									
Nova Sea AS	25.5	15.9	265.7	83.1	178.2	75.0	74.8	27.3	41.5
DESS Aquaculture Shipping AS	—	—	3.4	-0.3	95.8	—	20.6	28.9	3.5
Finnøy Fisk AS	1.7	2.0	4.3	1.6	2.4	1.8	4.7	0.5	2.7
<b>2017</b>									
Nova Sea AS	31.7	12.2	277.6	93.3	177.7	69.7	92.4	66.1	42.1
DESS Aquaculture Shipping AS	—	—	—	-1.0	14.3	—	10.1	—	0.1
Finnøy Fisk AS	1.0	0.4	7.9	4.0	2.3	1.6	7.6	0.7	3.4

1) Effect of adjusting Mowi's share of total biological assets as of December 31 presented above to fair value. The effect is shown after tax.

## NOTE 22 - BUSINESS COMBINATIONS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

### BUSINESS COMBINATIONS

In December 2017, Mowi entered into a conditional agreement to acquire 100% of the shares in the salmon farmer Northern Harvest located on the East Coast of Canada, for CAD 315 million (approximately EUR 210 million). The transaction was subject to approval by the Canadian Competition Bureau and customary closing conditions. In June 2018, Mowi obtained a No Action Letter from the Canadian Competition Bureau. The transaction was closed on 3 July 2018, and this date has been identified as the acquisition date.

Northern Harvest is fully integrated with its own broodstock, smolt/hatchery, farmings sites and processing operations. Northern Harvest harvested 18 200 GWT of salmon in 2018, and currently has 45 farming licenses in Newfoundland and New Brunswick. The company has an additional 13 farming licenses in application mode. The purchase of Northern Harvest is of strategic importance, and the benefits include

expansion into a new region for Mowi, as well as improved market access to the Eastern Canadian and US seafood markets. In 2017 we completed the purchase of the Gray Aqua Group assets located in the same region, and we expect synergies through the combination of these assets and Northern Harvest.

The aggregated goodwill of EUR 34.0 million recognised arises from expected synergies from combining the assets and activities of Northern Harvest with Mowi. Goodwill is not deductible for income tax purposes. The table below summarizes the consideration paid for Northern Harvest and the assessed fair value of the assets acquired and liabilities assumed, recognised at the acquisition date. Note that Northern Harvest's external long term debt was settled in July. Acquisition-related costs of EUR 1.8 million have been recognised as other operating expenses in the consolidated statement of comprehensive income in accordance with IFRS 3, of which EUR 1.7 million in 2018.

Recognised amounts of identifiable assets acquired and liabilities assumed	CAD million	EUR million
<b>Fair value</b>		
Licenses	144 884	94 418
Property, plant and equipment	57 307	37 346
Inventory	7 664	4 994
Biological assets	120 779	78 709
Trade receivables	21 491	14 005
Other receivables	5 072	3 305
Cash and cash equivalents	2 068	1 348
Deferred tax liabilities	-66 926	-43 614
Other long term debt	-124 228	-80 957
Other current liabilities	-9 212	-6 003
<b>Total identifiable net assets</b>	<b>158 899</b>	<b>103 551</b>
<b>Goodwill</b>	<b>52 233</b>	<b>34 039</b>
<b>Cash consideration</b>	<b>211 132</b>	<b>137 590</b>

If Northern Harvest had been consolidated from 1 January 2018, revenue for the Group would have been increased by EUR 66.1 million and profit\* would have been increased by EUR 4.9 million in the consolidated statement of comprehensive income for the six months ended 30 June 2018. The corresponding numbers for revenue and profit\* in the period after the acquisition were EUR 47.8 million and EUR 12.5 million.

\*fair value adjustment set to zero

### ASSETS HELD FOR SALE

Mowi had no Asset held for sale as of December 31, 2018 and 0.5 million in 2017 related to a factory and land in Germany.

### DISCONTINUED OPERATIONS

Mowi had no results from discontinued operations in 2018 and 2017.

## NOTE 23 - CONSOLIDATED ENTITIES

The consolidated financial statements include the following companies:

PARENT COMPANY	COUNTRY
Mowi ASA	Norway

SUBSIDIARIES - NORWAY	COUNTRY	OWNERSHIP %
Mowi AS	Norway	100.00%
Mowi Feed AS	Norway	100.00%
Mowi Genetics AS	Norway	100.00%
Marine Harvest Holding AS	Norway	100.00%
Marine Harvest Minority Holding AS	Norway	100.00%
Mowi Norway AS	Norway	100.00%
Mowi Markets Norway AS	Norway	100.00%
Mowi Norway FOU AS	Norway	100.00%
Morpol ASA	Norway	100.00%
Waynor Trading AS	Norway	100.00%
Center for Aquaculture Competence AS	Norway	33.30%

SUBSIDIARIES - AMERICAS	COUNTRY	OWNERSHIP %
Mowi North America Inc.	Canada	100.00%
Mowi Canada West Inc.	Canada	100.00%
Marine Harvest Atlantic Canada Inc.	Canada	100.00%
Englewood Packing Company Ltd.	Canada	100.00%
IB Aquaculture Ltd	Canada	100.00%
Northern Harvest Sea Farms Inc	Canada	100.00%
Northern Harvest Sea Farms New foundland Inc	Canada	100.00%
Dover Fish Hatchery Ltd	Canada	100.00%
Northern Harvest Smolt Inc	Canada	100.00%
Northern Harvest Services Inc	Canada	100.00%
Mowi Chile S.A	Chile	100.00%
Salmones Tecmar S.A	Chile	100.00%
Processadora De Productos Marinos Delifish S.A	Chile	100.00%
Salmoamerica Corp.	Panama	100.00%
Mowi Ducktrap LLC	USA	100.00%
Mowi USA Holding LLC	USA	100.00%
Mowi USA LLC	USA	100.00%

SUBSIDIARIES - ASIA	COUNTRY	OWNERSHIP %
Mowi China Co. Ltd.	China	100.00%
Marine Harvest Hong Kong Ltd	Hong Kong	100.00%
Mowi Japan Inc	Japan	100.00%
Mowi Food Service Inc	Japan	100.00%
Mowi Korea Co. Ltd	Korea	100.00%
Mowi Singapore Pte Ltd	Singapore	100.00%
Morpol Holdings Singapore Pte Ltd	Singapore	100.00%
Mowi Taiwan Co. Ltd	Taiwan	100.00%
Amanda Foods Vietnam Ltd	Vietnam	100.00%

SUBSIDIARIES - EUROPE	COUNTRY	OWNERSHIP %
Mowi Belgium NV	Belgium	100.00%
Mowi Czech s.r.o.	Czech Republic	100.00%
Mowi Faroe Islands P/F	Faroes	100.00%
Mowi France SAS	France	100.00%
Mowi Dunkerque SAS	France	100.00%
Mowi Boulogne SAS	France	100.00%
Marine Harvest Lorient SAS	France	100.00%
Marine Harvest Kritsen SAS	France	100.00%
Mowi Rennes SAS	France	100.00%
Mowi Cuisery SAS	France	100.00%
Mowi Germany GmbH	Germany	100.00%
Mowi Harsum GmbH	Germany	100.00%
Belisco Ehf	Iceland	100.00%
Comhlucht Iascaireachta Fanad Teoranta	Ireland	100.00%
Bradan (Maol Rua) Teoranta	Ireland	100.00%
Bradan Fanad Teoranta	Ireland	100.00%
Fanad Pettigo Teoranta	Ireland	100.00%
Feirm Farrage Oilean Chliara Teoranta	Ireland	92.03%
Silverking Seafoods Ltd	Ireland	100.00%
Mowi Italia S.R.L.	Italy	100.00%
Marine Harvest NV	Netherlands	100.00%
Marine Harvest International BV	Netherlands	100.00%
Marine Harvest Holland BV	Netherlands	100.00%
Mowi Netherlands BV	Netherlands	100.00%
Mowi Lemmer BV	Netherlands	100.00%
Mowi Poland Sales S.A.	Poland	100.00%
Mowi Poland S.A.	Poland	100.00%
Mowi Leborg Sp. z.o.o.	Poland	100.00%
Morpol Services Sp z.o.o.	Poland	100.00%
Mowi Strzelino Sp. z.o.o.	Poland	100.00%
Mowi Technology Sp. z.o.o.	Poland	100.00%
Mowi Turkey Industry A.S.	Turkey	100.00%
Mowi Scotland Ltd	UK	100.00%
Meridian Salmon Group Ltd	UK	100.00%
Meridian Salmon Processing Ltd	UK	100.00%
Meridian Salmon Farms (Argyll) Ltd	UK	100.00%
Lakeland Smolt Ltd	UK	100.00%
Mowi Consumer Products UK Ltd	UK	100.00%
Dorseth Cleanerfish Ltd	UK	51.00%
Anglesey Aquaculture Ltd.	UK	100.00%
Mowi Iberia SLU	Spain	100.00%
Mowi Sweden AB	Sweden	100.00%

Mowi Group has no material partly-owned subsidiaries, and the non-controlling interests are immaterial. Additional financial information is therefore not disclosed.

Effective 1 January 2019 the group changed its name from Marine Harvest to Mowi. There is an ongoing process of changing legal entity names for several of our subsidiaries. The table above is updated with the current plan for change of legal names at the date of publishing the annual report.

## NOTE 24 - SHARE CAPITAL

SHARE CAPITAL	2018	2017
Total number of shares as of 01.01	490 167 777	450 085 652
Shares issued during the year	25 871 942	40 082 125
<b>Total number of shares as of 31.12</b>	<b>516 039 719</b>	<b>490 167 777</b>
Treasury shares as of 01.01	—	—
Treasury shares purchased during the year	827 638	829 775
Treasury shares sold during the year	-827 638	-829 775
<b>Treasury shares as of 31.12</b>	<b>—</b>	<b>—</b>
<b>Nominal value as of 31.12 (NOK)</b>	<b>7.50</b>	<b>7.50</b>
Share capital (total number of shares at nominal value) (EUR million)	404.0	383.8
Other paid-in capital (EUR million)	1 251.0	931.5

OVERVIEW OF THE LARGEST SHAREHOLDERS 31.12.18	NUMBER OF SHARES	SHAREHOLDING %
Geveran Trading Co Ltd	79 551 603	15.42%
Folketrygdfondet	40 727 519	7.89%
Clearstream Banking S.A.	24 329 236	4.71%
Jupiter European Fund	11 545 670	2.24%
State Street Bank & Trust Comp.	10 552 633	2.04%
State Street Bank & Trust Comp.	9 919 510	1.92%
State Street Bank & Trust Comp.	9 894 418	1.92%
Citibank N.A.	8 476 161	1.64%
State Street Bank & Trust Comp.	8 329 130	1.61%
State Street Bank & Trust Comp.	7 774 777	1.51%
UBS Switzerland AG	6 662 651	1.29%
J.P. Morgan Chase Bank N.A., London	6 239 796	1.21%
J.P. Morgan Chase Bank N.A., London	5 954 859	1.15%
The Bank of New York Mellon SA/NV	5 825 392	1.13%
The Northern Trust Comp, London BR	5 042 891	0.98%
J.P. Morgan Chase Bank N.A., London	4 594 811	0.89%
J.P. Morgan Bank Luxembourg S.A.	4 560 967	0.88%
Euroclear Bank S.A./N.V.	4 097 499	0.79%
State Street Bank & Trust Comp.	4 033 715	0.78%
Citibank N.A.	4 000 000	0.78%
<b>Total 20 largest shareholders</b>	<b>262 113 238</b>	<b>50.79%</b>
<b>Total other shareholders</b>	<b>253 926 481</b>	<b>49.21%</b>
<b>Total number of shares 31.12.18</b>	<b>516 039 719</b>	<b>100.00%</b>

SHAREHOLDERS PER COUNTRY	NUMBER OF SHARES	SHARE %
Norway	119 445 827	23.15%
USA	96 624 147	18.72%
Cyprus	77 354 803	14.99%
Great Britain	79 769 809	15.46%
Other countries	142 845 133	27.68%
<b>Total number of shares 31.12.18</b>	<b>516 039 719</b>	<b>100.00%</b>

SHARES OWNED BY BOARD MEMBERS, GROUP MANAGEMENT AND THEIR RELATED PARTIES AS OF 31.12.18	NUMBER OF SHARES
<b>Board of Directors</b>	
Ole-Eirik Lerøy (Chair of the Board) <sup>1)</sup>	1 500 332
Lisbet K. Nærø	332
Cecilie Fredriksen <sup>2)</sup>	332
Kristian Melhuus	332
Paul Mulligan	332
Jean-Pierre Bienfait	332
Birgitte Ringstad Vartdal	332
Unni Sværen	604
Anders Sæther	151
Jørgen Wenggaard	151
<b>Total number of shares held by Board members</b>	<b>1 503 230</b>
<b>Group Management</b>	
Alf-Helge Aarskog, CEO	39 027
Ivan Vindheim, CFO	1 117
Per-Roar Gjerde, COO Farming	780
Ola Brattvoll, COO Sales & Marketing	9 688
Ben Hadfield, COO Fish Feed	7 327
Øyvind Oaland, R&D Global Director	4 845
Glenn Flanders, CSO	457
Anne Lorgen Riise, HR Global Director	815
Kristine Gramstad Wedler, Communication Director	593
<b>Total number of shares held by Group management</b>	<b>64 649</b>
<b>Total number of shares held by Board members and Group management</b>	<b>1 567 879</b>
<b>Total number of shares held by Board members and Group management in % of total outstanding shares</b>	<b>0.30%</b>

1) Sterna Finance Ltd, which is indirectly controlled by trusts established by John Fredriksen for the benefit of his immediate family, has entered into a commercial two-and-a-half-year marine sector consultancy agreement with Framar AS (Framar), a company owned by Ole-Eirik Lerøy. In connection with the consultancy agreement, Sterna Finance and Framar have entered into a separate dividend adjusted option agreement whereby Sterna Finance has granted Framar an option to acquire 750 000 shares in Mowi. The premium paid by Framar for the option is NOK 3 750 000. The option may be exercised by Framar once, and only for the full number of shares, between May 11, 2019 and May 11, 2021. The strike price is set at NOK 229.90 per share, reflecting the last closing price of the Mowi share on the date of the agreement plus a 5 % annual interest component till maturity.

2) Cecilie Fredriksen is a member of the class of Beneficiaries of the Trusts which indirectly control Geveran Trading Co Limited.

## SHAREHOLDERS RIGHTS

There are no current limitations on voting rights or trade limitations related to the Mowi share.

The Board of Directors has been granted the following authorisations which may impact the share capital:

- To purchase up to 49 016 777 shares in the Company (representing 10% of the shares in issue at the time) during the period up until the AGM in 2019, though no later than June 30, 2019.
- To increase the Company's share capital by up to 49 016 777 shares (representing 10% of the shares in issue at the time). The authority did not define the purpose(s) of such a capital increase. The authority expires at the AGM in 2019, though no later than June 30, 2019.
- To take up convertible bond loans of up to NOK 3 200 000 000 (par value), convertible to a share capital equivalent by up to 49 016 777 shares, but in no event with an amount that exceeds 10% of the company's share capital at the date of the AGM in 2019. The authority expires at the AGM in 2019, though no later than June 30, 2019.

## NOTE 25 - EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE	2018	2017
<b>Profit for the year attributable to owners of Mowi ASA</b>		
Profit from continuing operations attributable to the owners of the parent (EUR million)	566.6	462.5
Profit from discontinued operations attributable to the owners of the parent (EUR million)	—	—
<b>Profit for the year attributable to owners of Mowi ASA (EUR million)</b>	<b>566.6</b>	<b>462.5</b>
<b>Time-weighted average of shares issued and outstanding (million)</b>	<b>493.9</b>	<b>475.5</b>
<b>Basic earnings per share attributable to the owners of Mowi ASA</b>		
Basic earnings per share from continuing operations (EUR)	1.15	0.97
Basic earnings per share from discontinued operations (EUR)	—	—
<b>Basic earnings per share (EUR)</b>	<b>1.15</b>	<b>0.97</b>
<b>Diluted earnings per share attributable to the owners of Mowi ASA</b>		
Diluted earnings per share from continuing operations (EUR)	1.15	0.86
Diluted earnings per share from discontinued operations (EUR)	—	—
<b>Diluted earnings per share (EUR)</b>	<b>1.15</b>	<b>0.86</b>

Basic Earnings per share (EPS) is calculated on the weighted average number of shares outstanding during the period. Convertible bonds that are "in the money" are considered to have a dilutive effect if EPS is reduced when assuming a full conversion into shares at the beginning of the period and reversing all its effects on earnings for the period. On the other hand, if the effect of the above increases EPS, the bond is considered anti-dilutive, and is then not included in diluted EPS. The adjustments to earnings are interest expenses, currency gains/losses

and changes in fair value of conversion liability component, adjusted for estimated taxes. Average diluted number of shares is also affected by the share price based bonus call options to senior executives.

There are no remaining convertible bonds at year-end 2018 as the EUR 340 million convertible bond was converted during the year. Accordingly, no effects related to convertible bonds are included in diluted EPS for 2018. The effects from share price based bonus call options are not sufficient to affect the diluted earnings per share presented above.

## NOTE 26 - RELATED PARTY TRANSACTIONS

### SHAREHOLDERS

Geveran Trading Co Ltd is indirectly controlled by trusts established by John Fredriksen for the benefit of his immediate family.

### TRANSACTIONS WITH ASSOCIATED COMPANIES

The figures presented below are with associated companies, mainly Nova Sea AS and Finnøy Fisk.

At year-end 2018, Geveran Trading's affiliated ownership in Mowi was 79 551 603 shares, constituting 15.42% of the total share capital.

RELATED PARTY TRANSACTIONS (EUR MILLION)	2018	2017
Revenue	14.6	16.8
Purchase	-3.6	-7.2
Trade receivables	3.0	2.4
Trade payables	4.2	7.3

All significant transaction are mainly related to the sale or purchase of fish or smolt and related services.

## NOTE 27 - CONTINGENT LIABILITIES AND PROVISIONS

### NOTICE FROM EU COMMISSION - ALLEGED BREACH OF THE PROVISIONS OF EU MERGER REGULATIONS

After having approved the takeover of Morpol ASA by Mowi ASA on September 30, 2013, the European Commission informed Mowi ASA that it was investigating whether Mowi ASA has committed an infringement of the suspension obligation and of the notification requirement under the EU Merger Regulation by acquiring an initial shareholding in Morpol ASA, before the related acquisition was notified to and approved by the European Commission.

On March 31, 2014 the European Commission issued a statement of objections, informing Mowi ASA of the objections that have been raised. On July 23, Mowi ASA was advised that the Commission had decided to impose a fine in the amount of EUR 20 million as a consequence of an alleged breach of the provisions of the EU Merger Regulations. Mowi ASA decided to appeal the European Commission's decision to fine the Company. The judgment of the general court was received October 26, 2017. The initial decision to fine Mowi of EUR 20 million was

maintained by the European Commission. The judgment of the General Court has been appealed to the EU Court of Justice, which issues a final non-appealable judgment/decision. A final judgment from the EU Court of Justice is expected at the end of 2020.

Following the decision by the EU General Court in October 2017, Mowi has paid and expensed the fine of EUR 20 million. The amount will be refunded if the final decision by the EU Court of Justice is in Mowi's favor.

### OTHER CASES

We are routinely involved in various legal matters arising from the normal course of business, for which no material provisions are made in the financial statements. While the outcome of these proceedings cannot be predicted with certainty, we believe that, when resolved, they will not have any material adverse effect on our operating results, financial position or liquidity. For further information, please see note 30.

## NOTE 28 - OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES (EUR MILLION)	2018	2017
Maintenance	-158.1	-154.0
Electricity and fuel	-77.8	-68.5
Rent and leases	-93.9	-89.2
Third-party services	-38.7	-55.8
Insurance	-26.4	-26.1
Consultancy and audit fees	-38.0	-33.5
IT costs	-22.7	-25.3
Travel cost	-15.9	-17.5
Sales and marketing costs	-10.7	-8.9
Other operating costs	-107.8	-76.1
<b>Total other operating expenses</b>	<b>-589.9</b>	<b>-555.0</b>

## NOTE 29 - OPERATING LEASES

FUTURE PAYMENTS FOR OPERATING LEASES (EUR MILLION)	2018	2017
Gross amount payable within 1 year	123.8	122.6
Gross amount payable within 1-5 years	339.5	343.0
Gross amount payable after 5 years	121.4	92.8
<b>Total gross amount payable</b>	<b>584.7</b>	<b>558.4</b>

SIGNIFICANT LEASE AGREEMENTS (EUR MILLION)	2018	2017
<b>Gross amount payable within 1 year</b>		
<b>WELLBOAT</b>		
Mowi Norway	39.7	40.9
Mowi Scotland	13.4	15.9
Mowi Canada	10.2	3.9
<b>OTHER MACHINERY AND TRANSPORT</b>		
Mowi Norway	17.7	26.6
Mowi Scotland	7.3	2.8
Mowi Fish Feed	9.9	10.0
<b>Gross amount payable within 1-5 years</b>		
<b>WELLBOAT</b>		
Mowi Norway	187.7	133.4
Mowi Scotland	28.0	25.1
Mowi Canada	22.9	23.4
<b>OTHER MACHINERY AND TRANSPORT</b>		
Mowi Norway	16.0	60.3
Mowi Scotland	16.8	20.9
Mowi Fish Feed	30.6	34.4
<b>Gross amount payable after 5 years</b>		
<b>WELLBOAT</b>		
Mowi Norway	76.3	24.8
Mowi Scotland	10.6	—
Mowi Canada	—	1.6
<b>OTHER MACHINERY AND TRANSPORT</b>		
Mowi Norway	—	23.2
Mowi Scotland	15.4	20.9
Mowi Fish Feed	5.5	13.3

FUTURE INCOME FOR OPERATING SUBLEASES (EUR MILLION)	2018	2017
<b>Total future income for operating subleases</b>	<b>1.1</b>	<b>4.7</b>

OPERATING LEASES AND SUBLEASES (EUR MILLION)	2018	2017
Operating leases expensed	-111.9	-102.4
Income from operating subleases	4.0	2.6
<b>Total net operating leases</b>	<b>-107.9</b>	<b>-99.8</b>

## NOTE 30 - PROVISIONS

SPECIFICATION OF PROVISIONS 2018 (EUR MILLION)	RESTRUCTURING	ONEROUS CONTRACTS	OTHER	TOTAL PROVISIONS
Provisions as of 01.01	6.2	1.3	1.8	9.4
New provisions in the year	-0.3	—	1.2	1.0
Utilized provisions	-2.8	—	-0.6	-3.4
Non cash utilization	—	6.0	—	6.0
<b>Provisions as of 31.12</b>	<b>3.1</b>	<b>7.3</b>	<b>2.4</b>	<b>13.0</b>

Provisions related to onerous contracts are mainly due to the technical accounting treatment of fair value of biomass.

A reversal of provision/restructuring of EUR 1.17 million related to the former reorganisation in Mowi Norway and Mowi Chile in 2018.

The majority of restructuring cost in 2018 is related to the ongoing reorganisation process in Mowi Scotland, with the amount of EUR 0.8 million.

The main part of the amount of utilized other provisions is related to various ongoing legal cases in Mowi Norway and Mowi Chile.

SPECIFICATION OF PROVISIONS 2017 (EUR MILLION)	RESTRUCTURING	ONEROUS CONTRACTS	OTHER	TOTAL PROVISIONS
Provisions as of 01.01	6.1	124.6	23.0	153.7
New provisions in the year	2.5	—	2.1	4.7
Utilized provisions	-1.9	—	-23.3	-25.2
Non cash utilization	—	-119.8	—	-119.9
Currency adjustment	-0.5	-3.5	—	-4.0
<b>Provisions as of 31.12</b>	<b>6.2</b>	<b>1.3</b>	<b>1.8</b>	<b>9.4</b>

The majority of restructuring cost in 2017 was related to the reorganisation process in Mowi Norway, with the amount of EUR 2.0 million. In addition a restructuring cost of EUR 1.1 million was recognised in MH Kritsen related to the reorganisation of Consumer Products France. A reversal of the old provision/restructuring of EUR 1.1 million related to the former reorganization in Mowi Chile Farming and Mowi Scotland was recognised in 2017.

Following the decision by the EU General Court in October 2017, Mowi paid the fine of EUR 20 million related to an alleged breach of the European Merger Regulations. The main part of the amount of utilized other provisions is related to this payment. The rest of the amount is mainly related to various ongoing legal cases in Mowi Norway.

## NOTE 31 - RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT EXPENSES (EUR MILLION)	2018	2017
R&D expenses	43.9	43.6

The reported expenditures are gross values, and exclude any related income from our R&D activities. In addition, a fee of 0.3% of Mowi Norway's export value is paid to the Norwegian Seafood Research Fund

(EUR 3.9 million for 2018 and EUR 3.1 million for 2017). This fee is not included in the R&D expenses. Mowi Group has not capitalized any R&D expenditures during 2018 or 2017.

## NOTE 32 - AUDITOR'S FEES

FEES TO AUDITORS 2018 (EUR MILLION)	EY	OTHER APPOINTED AUDITORS
Audit services <sup>1)</sup>	1.5	—
Tax advisory services	0.2	—
Other non-audit fees	0.1	—
<b>Total fees for 2018</b>	<b>1.8</b>	<b>—</b>

1) The audit fee is estimated cost for 2018, not recognized audit cost in 2018.

FEES TO AUDITORS 2017 (EUR MILLION)	EY	OTHER APPOINTED AUDITORS
Audit services <sup>2)</sup>	1.6	—
Tax advisory services	0.3	—
Other non-audit fees	—	—
<b>Total fees for 2017</b>	<b>1.9</b>	<b>—</b>

2) The audit fee is estimated cost for 2017, not recognized audit cost in 2017.

Auditor's fees is stated exclusive value added tax.

## NOTE 33 - EXCEPTIONAL ITEMS

The 2018 financial statements contain several items that are considered exceptional relative to the normal business operations. The total effect of exceptional items included in operational EBIT was EUR 109.2 million

for the year. Exceptional items are included in the line item Cost of materials in the consolidated statement of comprehensive income.

EXCEPTIONAL ITEMS INCLUDED IN OPERATIONAL EBIT (EUR MILLION)	2018	2017
Sea lice mitigation Mowi Norway	76.7	78.7
Incident-based mortality Mowi Norway	16.7	13.5
Incident-based mortality Mowi Scotland	2.5	9.8
Incident-based mortality Mowi Canada	7.1	1.9
Incident-based mortality Mowi Chile	1.4	2.6
Incident-based mortality Mowi Faroes	—	—
Incident-based mortality Mowi Ireland	4.8	4.7
<b>Exceptional items in Operational EBIT</b>	<b>109.2</b>	<b>111.1</b>

## NOTE 34 - NEW IFRS STANDARDS

### NEW STANDARDS APPLIED

Two new accounting standards have been implemented with effect from 1 January 2018:

#### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires certain disclosures.

The Group adopted IFRS 15 using the modified retrospective method. This standard did not have any material effects on the Group's financial reporting. The reason for this is that the Group's main revenue derives from sales of goods (fish and elaborated fish products), and there are no significant changes between the old and the new standard regarding recognition of such. The revenue is recognized when the control of the goods have passed to the buyer, usually on delivery (i.e. a certain point in time). Thus, no changes have been made to comparative information or the opening balance of equity per 1 January 2018.

#### IFRS 9 FINANCIAL INSTRUMENTS REPLACES IAS 39 FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9, the new IFRS standard regarding classification and measurement of financial instruments. This standard does not have any material effects on the Group's financial reporting, and no changes have been made to comparative information or the opening balance of equity per 1 January 2018.

##### Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on the Group's business model for managing the assets, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables and Cash and cash equivalents:

- This instruments were previously classified as Loans and receivables, and are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortized cost. Other non financial assets are presented as Financial instruments at fair value through profit or loss.

There are no changes in classification and measurement for the Group's financial liabilities.

#### IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach after IAS 39 with a forward-looking expected credit loss (ECL) approach. The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Upon the adoption of IFRS 9, no additional impairment on the Group's Trade receivables were recognized.

#### NEW STANDARDS - NOT YET IMPLEMENTED

At the end of 2018, there are new standards/interpretations and amendments to existing standards/interpretations that are not yet effective, but will be relevant for Mowi Group at implementation. Mowi Group intends to adopt these standards, if applicable, when they become effective.

#### IFRS 16 LEASES

IFRS 16 Leases replaces existing IFRS leases requirements in IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires recognition of right-of-use assets and liabilities related to all leasing agreements with duration exceeding 12 months. The asset and liability to be recognized for each leasing agreement is the present value of the lease payments. Lease payments for low value assets may be recognized as they occur. Mowi Group will only recognize leasing liabilities related to agreements exceeding 12 months starting from Jan 1st 2019. Agreements shorter than 12 months or with low value will be recognised as they occur. The standard is mandatory for financial years commencing on or after January 1, 2019.

From 2019, the Group implements IFRS 16. Preliminary calculations indicate that total assets and total liabilities in the statement of financial position will increase by approximately EUR 350 million compared with the reported amount per year-end 2018, given the current leasing contract portfolio. The group's bank facility has a covenant of 35% book equity ratio, but the calculation of the ratio is to be adjusted for the effects of IFRS 16. In the statement of comprehensive income, leasing costs related to IFRS 16 will be replaced by depreciation costs of right-of-use assets and interest costs related to the lease liabilities. As interests costs are not part of EBIT, proforma EBIT (both Operational

EBIT and Financial EBIT) for 2018 would increase by approximately EUR 8.5 million (given the current leasing contract portfolio) compared to reporting based on IAS 17. In the statement of cash flow, cash outflows related to leases previously included in the cash flow from operations will be replaced by cash outflows related to repayment of lease liabilities and interest included in the cash flow from financing. The Group plans

to implement IFRS 16 using the modified retrospective approach, i.e. without restating comparative information, and by recognizing the same amount as right-of-use assets and lease liabilities per 1 January 2019. Consequently, opening book value of equity will not be impacted.

## NOTE 35 - SUBSEQUENT EVENTS

### 2019 EUROPEAN COMMISSION INSPECTIONS

In February 2019, The European Commission carried out unannounced inspections at selected premises of several Norwegian salmon companies, including Mowi. The Commission was acting on concerns that the inspected companies may have violated EU antitrust rules.

To the best of our knowledge there is no basis for the Commission's concerns, and the investigation comes as a surprise to us. Nonetheless, Mowi is cooperating fully with the Commission's investigation and is providing all information requested by them with full transparency.

At Mowi we are committed to high ethical standards in the conduct of our business worldwide, as laid down in our Code of Conduct. Therefore, each Mowi employee must make a personal commitment - and renew this on an annual basis by successfully passing the Code of Conduct test - to follow the Code of Conduct, which identifies the standards of behavior which we should expect from one another, and which external parties can expect from us.

# Mowi ASA

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### STATEMENT OF PROFIT AND LOSS

MOWI ASA (EUR MILLION)	NOTE	2018	2017
Other income	1	18.8	22.5
Salary and personnel expenses	14	-14.7	-17.2
Other operating expenses	15	-20.4	-18.1
Depreciation and amortization	10,11	-3.4	-3.5
Impairment losses	10	—	-0.5
Other non-operational items		—	-0.2
<b>Earnings before financial items</b>		<b>-19.7</b>	<b>-17.0</b>
Interest expenses	3	-58.0	-46.7
Net currency effects	3	11.7	-57.0
Other financial items	3	-68.3	87.2
Group contribution	8	426.8	316.0
<b>Earnings before taxes (EBT)</b>		<b>292.4</b>	<b>282.6</b>
Income taxes	7	-94.7	-54.1
<b>Profit or loss for the year</b>		<b>197.6</b>	<b>228.6</b>
<b>Allocation of profit</b>			
To other equity	2	197.6	228.6
<b>Profit or loss for the year</b>		<b>197.6</b>	<b>228.6</b>



## STATEMENT OF FINANCIAL POSITION

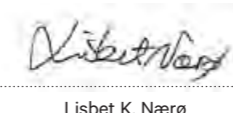
MOWI ASA (EUR MILLION)	NOTE	2018	2017
<b>ASSETS</b>			
<i>Non-current assets</i>			
Deferred tax asset	7	1.5	—
Other intangible assets	10	6.0	6.6
<b>Total intangible assets</b>		<b>7.5</b>	<b>6.6</b>
Property, plant and equipment	11	0.5	1.1
<b>Total tangible assets</b>		<b>0.5</b>	<b>1.1</b>
Investments in subsidiaries	9	2 396.6	2 396.6
Intercompany non-current receivables	8	432.6	413.7
<b>Total financial assets</b>		<b>2 829.2</b>	<b>2 810.3</b>
<b>Total non-current assets</b>		<b>2 837.3</b>	<b>2 818.0</b>
<i>Current assets</i>			
Intercompany current receivables	8	1 062.9	760.6
Other current receivables		1.8	8.1
<b>Total receivables</b>		<b>1 065.0</b>	<b>768.7</b>
Restricted cash	12	6.3	7.8
Cash in bank	12	27.0	—
<b>Total current assets</b>		<b>1 098.3</b>	<b>776.5</b>
<b>Total assets</b>		<b>3 935.6</b>	<b>3 594.6</b>

MOWI ASA (EUR MILLION)	NOTE	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	2	404.0	383.9
Other paid-in capital	2	1 251.0	931.5
<b>Total paid-in capital</b>		<b>1 655.0</b>	<b>1 315.4</b>
Other equity	2	469.9	614.7
<b>Total equity</b>		<b>2 125.0</b>	<b>1 930.0</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities	7	—	4.6
Non-current interest-bearing debt	5	1 142.4	772.8
Other non-current liabilities	13	3.4	80.1
<b>Total non-current liabilities</b>		<b>1 145.8</b>	<b>857.4</b>
<i>Current liabilities</i>			
Current interest-bearing debt	5	—	130.2
Intercompany current liabilities	8	483.2	520.9
Other current liabilities	13	181.6	156.0
<b>Total current liabilities</b>		<b>664.8</b>	<b>807.1</b>
<b>Total liabilities</b>		<b>1 810.6</b>	<b>1 664.6</b>
<b>Total equity and liabilities</b>		<b>3 935.6</b>	<b>3 594.6</b>

BERGEN, MARCH 26, 2019



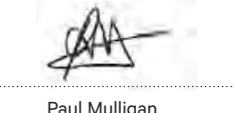
Ole-Eirik Lerøy  
Chair of the Board



Lisbet K. Nærø  
Vice Chair of the Board



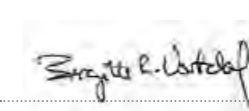
Cecilie Fredriksen



Paul Mulligan



Jean-Pierre Bienfait



Birgitte Ringstad Vartdal



Kristian Melhuus



Unni Sværen  
Employee representative



Anders Sæther  
Employee representative



Jørgen Wengard  
Employee representative



Alf-Helge Aarskog  
Chief Executive Officer

## STATEMENT OF CASH FLOW

MOWI ASA (EUR MILLION)	NOTE	2018	2017
<b>Cash flow from operations</b>			
Earnings before taxes		292.4	282.6
Interest expenses	3	58.0	46.7
Net currency effects	3	-11.7	57.0
Other financial items	3	68.3	-87.2
Group contribution	8	-426.8	-316.0
Impairment losses, depreciation and amortization	10,11	3.4	4.1
Taxes paid	7	-59.6	-100.9
Change in inventory, acc. payables and acc. receivables		0.9	0.2
Change in restricted cash	12	1.5	2.7
Restructuring and other non-operational issues		—	-20.0
Other adjustments		8.4	0.1
<b>Cash flow from operations</b>		<b>-65.1</b>	<b>-130.9</b>
<b>Cash flow from investments</b>			
Payments made for purchase of fixed assets	10,11	-2.2	-1.1
Proceeds from sale of shares and other investments		—	0.6
<b>Cash flow from investments</b>		<b>-2.2</b>	<b>-0.5</b>
<b>Cash flow from financing</b>			
Proceeds from new interest-bearing debt (current and non-current)		534.8	308.2
Down payment of interest-bearing debt (current and non-current)		—	-42.0
Paid interest (net)		-39.7	-33.7
Received interest group internal (net)	8	24.8	25.8
Net change in intercompany balances		80.7	519.7
Realized currency effects		7.6	-39.7
Dividends received	3	26.8	—
Dividend paid		-532.4	-640.3
Transactions with treasury shares		-5.2	-5.6
<b>Cash flow from financing</b>		<b>97.4</b>	<b>92.4</b>
<b>Net change in cash in period</b>		<b>30.1</b>	<b>-39.0</b>
Cash - opening balance		-3.1	35.9
Net change in cash in period		30.1	-39.0
<b>Cash - closing balance total</b>	<b>5,12</b>	<b>27.0</b>	<b>-3.1</b>

## NOTE 1 - GENERAL INFORMATION AND ACCOUNTING POLICIES

Mowi ASA is the parent company in the Mowi Group and consists of corporate management.

The separate financial statements of Mowi ASA have been prepared in accordance with the Norwegian Accounting Act from 1988 and Generally Accepted Accounting Principles in Norway. The financial statements for Mowi Group have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU (EU-IFRS).

For accounting policies used reference is made to Note 2 in Mowi Group financial statements. The accounting principles used in the financial statements for Mowi ASA are similar to the accounting principles used for Mowi Group's financial statements, except for:

- Acquisition costs in Business Combinations are in the Group financial statements recognized as expenses in profit and loss

- in the periods in which the cost are incurred and the services are received. In the separate financial statements for Mowi ASA these expenses are included as a part of the acquisition price.

Investment in subsidiaries and intercompany loans are measured to the lowest of fair value and cost. Financial derivatives within Mowi Group are measured to fair value. The statements of profit and loss and changes in equity in the separate financial statement divert from the statements for Mowi Group as other comprehensive income still is treated as equity transactions in the separate financial statements.

Other income consists mainly of management fee charged to the Business Units.

Mowi ASA is responsible for external financing of the Mowi Group.

## NOTE 2 - EQUITY

SPECIFICATIONS OF CHANGES IN EQUITY IN 2018 (EUR MILLION)	SHARE CAPITAL	OTHER PAID IN CAPITAL	SHARE BASED PAYMENT	OTHER EQUITY	TOTAL EQUITY
<b>Equity 01.01.18</b>	<b>383.8</b>	<b>931.5</b>	<b>5.4</b>	<b>609.2</b>	<b>1 930.0</b>
Issue of shares	20.1	319.5	—	194.2	533.8
Share based payment	—	—	0.5	—	0.5
Purchase of treasury shares	—	—	—	-5.2	-5.2
Dividend	—	—	—	-532.4	-532.4
Actuarial gains/losses (net of tax)	—	—	—	0.7	0.7
Profit or loss for the year	—	—	—	197.6	197.6
<b>Total Equity 31.12.18</b>	<b>404.0</b>	<b>1 251.0</b>	<b>5.9</b>	<b>464.1</b>	<b>2 125.0</b>
<b>SPECIFICATION OF CHANGES IN EQUITY IN 2017</b>					
<b>Equity 01.01.17</b>	<b>351.8</b>	<b>657.5</b>	<b>4.6</b>	<b>704.3</b>	<b>1 718.2</b>
Issue of shares	32.0	596.5	—	—	628.5
Share based payment	—	—	0.8	—	0.8
Purchase of treasury shares	—	—	—	-5.6	-5.6
Dividend	—	-322.5	—	-317.8	-640.3
Actuarial gains/losses (net of tax)	—	—	—	-0.2	-0.2
Profit or loss for the year	—	—	—	228.6	228.6
<b>Total Equity 31.12.17</b>	<b>383.8</b>	<b>931.5</b>	<b>5.4</b>	<b>609.2</b>	<b>1 930.0</b>

## SHARE CAPITAL

For information related to shareholders and share capital reference is made to Note 24 in Mowi Group financial statements.

## NOTE 3 - FINANCIAL ITEMS

FINANCIAL ITEMS (EUR MILLION)	2018	2017
<b>Interest expense</b>	<b>-58.0</b>	<b>-46.7</b>
<b>Net currency effects</b>	<b>11.7</b>	<b>-57.0</b>
Dividend from subsidiaries	26.8	—
Interest income from subsidiaries	33.1	26.4
Change in fair value - other shares	—	—
Change in fair value - other financial instruments	14.0	14.2
Change in fair value - conversion liability component convertible bond	-142.3	82.4
Impairment of shares in subsidiaries	—	-36.0
Other financial items	0.2	0.1
<b>Net other financial items</b>	<b>-68.3</b>	<b>87.2</b>

## NOTE 4 - FINANCIAL INSTRUMENTS

## FOREIGN EXCHANGE RISK

At the end of 2018 Mowi ASA had a portfolio of currency hedging instruments against third party counterparts with a total contract value of EUR 762.9 million (665.9 million). The portfolio had a net negative market value of EUR 18 million (12.1 million). The portfolio is described in further detail in Note 13 to Mowi Group financial statements.

The subsidiaries are required to do all their currency hedging with Mowi ASA as their counterparty. In addition to the portfolio of external hedges, Mowi ASA also holds a portfolio of foreign exchange hedges with its subsidiaries as counterparty. This portfolio offsets the external portfolio with respect to amounts, maturities and market values.

The forward contracts are recognized at fair value in the statement of financial position.

## INTEREST RATE RISK

Mowi ASA hedges all interest rate risk on behalf of Mowi Group. For positions held in interest rate derivatives and their value, reference is made to Note 12 and Note 13 of Mowi Group financial statements.

## SALMON PRICE RISK

At the end of 2018, Mowi ASA held a portfolio of financial forward contracts for purchase and sale of salmon with third parties. The portfolio had a negative market value of EUR 0.7 million (7.5 million). The subsidiaries are required to do their financial hedging of salmon prices with Mowi ASA as their counterparty. The third party portfolio is therefore largely offset by an internal portfolio of forward contracts largely offsetting the external portfolio with respect to amounts, maturities and market values.

## NOTE 5 - INTEREST-BEARING DEBT

INTEREST-BEARING DEBT (EUR MILLION)	2018	2017
Non-current interest-bearing debt	944.3	466.5
Bonds	198.1	—
Convertible bond	—	306.3
<b>Total non-current interest-bearing debt</b>	<b>1 142.4</b>	<b>772.8</b>
Current interest-bearing debt	—	130.2
<b>Total interest-bearing debt</b>	<b>1 142.4</b>	<b>903.0</b>

For specification of interest-bearing debt, bonds and convertible bond reference is made to Note 11 to Mowi Group financial statements.

## NOTE 6 - ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES

## ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES

The syndicated loan facility in Mowi is secured by guarantees from, as well as certain assets pledged by, the larger subsidiaries in the Group. The pledges are set up partly as a pledge in favor of a third party and partly as security for the fulfillment of the guarantee obligations. Mowi ASA has pledged the ownership in its subsidiaries, as well as certain assets.

ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES (EUR MILLION)	2018	2017
<b>Secured Group debt</b>	<b>943.5</b>	<b>469.6</b>
<b>Carrying amount of assets pledged as security</b>		
Receivables	1 420.5	1 040.5
Shares in subsidiaries	2 396.6	2 396.6
<b>Total carrying amount of assets pledged as security</b>	<b>3 817.1</b>	<b>3 437.1</b>
Guarantee liabilities <sup>1)</sup>	13.9	9.5
<b>Nominal value of guarantee liabilities</b>	<b>13.9</b>	<b>9.5</b>

1) In addition Mowi ASA has provided an ultimate parent company guarantee for commitments that may arise under the contract with the main supplier to the construction of the new feed factory in Scotland.

## NOTE 7 - TAXES

TAXES (EUR MILLION)	2018	2017
<b>Specification of this year's tax expense</b>		
Withholding tax	-3.1	-2.7
Payable tax	-97.9	-55.2
Changes in deferred taxes	6.2	3.8
<b>Total income tax expense</b>	<b>-94.7</b>	<b>-54.1</b>
<b>Specification of temporary differences and losses carried forward</b>		
Financial instruments	-24.1	-21.8
Non-current assets and liabilities in foreign currencies	1.5	1.9
Long term debt/loans to subsidiaries	7.0	35.4
Pension obligation	-3.4	-4.2
Other differences	12.2	8.5
<b>Total basis for deferred tax</b>	<b>-6.9</b>	<b>19.9</b>
Nominal tax rate	22%	23%
Deferred taxes asset/deferred tax liability	1.5	-4.6
<b>Total recognized deferred tax asset/deferred tax liability (-)</b>	<b>1.5</b>	<b>-4.6</b>
<b>Reconciliation between nominal and effective tax rate</b>		
Profit before tax	292.4	282.6
Nominal tax rate	23%	24%
<b>Tax calculated with nominal tax rate</b>	<b>-67.2</b>	<b>-67.8</b>
Withholding tax	-3.1	-2.7
Correction of earlier year's taxes	-0.2	0.6
Impairment of shares in subsidiaries	—	-8.6
Dividends	6.2	—
Effect of change in tax rate	-0.1	0.2
Effect of conversion to NOK	3.2	8.5
Conversion liability component of convertible bond - change in fair value	-31.6	18.8
Financial instruments	-2.0	-3.1
Other differences	0.1	0.2
<b>Total income tax expense in the statement of profit and loss</b>	<b>-94.7</b>	<b>-54.1</b>

## NOTE 8 - INTERCOMPANY TRANSACTIONS

INTERCOMPANY TRANSACTIONS (EUR MILLION)	2018	2017
<b>Intercompany receivables and liabilities</b>		
Intercompany non-current receivables	432.6	413.7
<b>Net intercompany non-current receivables</b>	<b>432.6</b>	<b>413.7</b>
Intercompany current receivables	1 062.9	760.6
Intercompany current liabilities	-483.2	-520.9
<b>Net intercompany current receivables</b>	<b>579.7</b>	<b>239.7</b>
<b>Total net intercompany balances</b>	<b>1 012.2</b>	<b>653.4</b>
<b>Management fee, net invoiced subsidiaries</b>	<b>17.1</b>	<b>20.1</b>
<b>Group internal financial income and expense</b>		
Dividend from subsidiaries <sup>1)</sup>	26.8	—
Interest income group companies	33.1	26.4
Interest expense group companies	-8.3	-0.6
Group contribution <sup>2)</sup>	426.8	316.0

1) The Dividend from subsidiaries comes from Mowi Faroes.

2) The Group contribution comes from Mowi Norway.

## NOTE 9 - SHARES IN SUBSIDIARIES

COMPANY (EUR MILLION)	BUSINESS ADDRESS	DATE OF PURCHASE	OWNER- SHIP %	NUMBER OF SHARES	EQUITY AS OF 31.12.18	PROFIT THIS YEAR	CARRYING AMOUNT 31.12.18
Marine Harvest NV	Amersfoort, Netherlands	29.12.2006	100%	225 000	219.2	—	562.1
Marine Harvest Holding AS	Oslo, Norway	07.04.2006	100%	590 452 360	868.2	121.4	1 586.6
Mowi Faroe Islands P/F	Kollafjordur, Faroes	01.11.1999	100%	10	65.5	11.3	31.9
Morpol ASA	Oslo, Norway	30.09.2013	100%	168 009 099	191.2	3.4	204.3
Marine Harvest Kritsen SAS	Pollaouen, France	11.04.1997	100%	7 005 366	12.4	3.7	11.8
<b>Total</b>					<b>1 356.5</b>	<b>139.8</b>	<b>2 396.6</b>

Shares in subsidiaries are recognized according to the cost method and yearly tested for impairment.

The owners share listed above are equal to the voting rights for each company.

## NOTE 10 - INTANGIBLE ASSETS

SPECIFICATION OF INTANGIBLE ASSETS (EUR MILLION)	2018	2017
Acquisition cost as of 01.01	17.1	14.9
Additions in the year	2.2	0.5
Disposals / scrapping in the year	—	-0.5
Reclassification	—	2.3
<b>Total acquisition cost as of 31.12</b>	<b>19.3</b>	<b>17.1</b>
Accumulated amortization and impairment losses as of 01.01	10.5	5.4
Amortization in the year	2.8	2.9
Impairment losses in the year	—	0.5
Disposals / scrapping in the year	—	-0.5
Reclassification	—	2.3
<b>Total accumulated amortization and impairment losses as of 31.12</b>	<b>13.3</b>	<b>10.5</b>
<b>Total carrying amount as of 31.12</b>	<b>6.0</b>	<b>6.6</b>
Estimated useful life	3-5 years	3-5 years
Amortization method	Linear	Linear

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

SPECIFICATION OF PROPERTY, PLANT AND EQUIPMENT (EUR MILLION)	2018	2017
Acquisition cost as of 01.01	3.4	7.2
Additions in the year	—	—
Disposals / scrapping in the year	—	-1.6
Reclassification	—	-2.3
<b>Total acquisition cost as of 31.12</b>	<b>3.4</b>	<b>3.4</b>
Accumulated depreciation and impairment losses as of 01.01	2.3	5.5
Depreciation in the year	0.6	0.6
Disposals / scrapping in the year	—	-1.6
Reclassification	—	-2.3
<b>Total accumulated depreciation and impairment losses as of 31.12</b>	<b>2.8</b>	<b>2.3</b>
<b>Total net carrying amount as of 31.12</b>	<b>0.5</b>	<b>1.1</b>
Estimated useful life	3-5 years	3-5 years
Depreciation method	Linear	Linear

## NOTE 12 - CASH

CASH (EUR MILLION)	2018	2017
Cash at bank	27.0	—
Restricted cash / withheld taxes	0.6	0.7
Other restricted cash	5.7	7.1
<b>Cash</b>	<b>33.3</b>	<b>7.8</b>

## NOTE 13 - OTHER LIABILITIES

OTHER LIABILITIES (EUR MILLION)	2018	2017
Conversion liability components of convertible bond	—	75.9
Pension liability	3.4	4.2
<b>Total other non-current liabilities</b>	<b>3.4</b>	<b>80.1</b>
Financial instruments	77.3	91.8
Tax liabilities	98.3	55.8
Other accruals	6.0	8.4
<b>Total other current liabilities</b>	<b>181.6</b>	<b>156.0</b>

## NOTE 14 - REMUNERATION

SALARY AND PERSONNEL EXPENSES (EUR MILLION)	2018	2017
Salaries and other short-term employee benefits	-9.3	-11.2
Social security taxes	-2.0	-2.2
Pension expenses	-0.6	-0.6
Share option scheme including social security taxes	-1.4	-1.6
3rd party staff	-1.4	-1.5
Other benefits	-0.1	-0.2
<b>Total salary and personnel expenses</b>	<b>-14.7</b>	<b>-17.2</b>
Loans to employees	—	—
<b>Average number of full-time employees</b>	<b>62</b>	<b>62</b>
<b>Full time employees at year-end</b>	<b>62</b>	<b>62</b>

REMUNERATION TO SENIOR EXECUTIVES <sup>1)</sup> (EUR THOUSAND)		SALARY	CASH BONUS	EXECUTED SHARE PRICE BASED BONUS	PENSION COST	OTHER	TOTAL 2018	TOTAL 2017
Alf-Helge Aarskog	CEO	616	391	1 201	7	1	2 216	2 161
Ivan Vindheim	CFO	349	345	681	7	2	1 383	1 422
Marit Solberg <sup>2)</sup>	COO Farming	246	75	583	215	7	1 125	1 215
Per-Roar Gjerde	COO Farming	277	68	529	7	1	882	1 007
Ola Brattvoll	COO Sales & Marketing	257	124	500	7	2	890	909
Ben Hadfield	COO Fish Feed	280	114	527	—	—	921	900
Øyvind Oaland	Global Director R&D	189	70	—	7	19	284	690
Anne Lorgen Riise	Group Director HR	157	67	—	7	2	233	549
Kristine Gramstad Wedler	Group Communication Director	160	13	—	7	2	182	226
Glenn Flanders	Chief Strategy Officer	257	101	—	8	1	366	380
<b>Total</b>		<b>2 789</b>	<b>1 367</b>	<b>4 021</b>	<b>270</b>	<b>35</b>	<b>8 483</b>	<b>9 458</b>

1) Senior Executives in Mowi ASA are remunerated in the local currency NOK, except Ben Hadfield and Glenn Flanders who are remunerated in GBP and USD respectively. The amounts in this note have been converted to EUR using yearly average rates for 2018 and 2017.

2) Marit Solberg retired from the position November 1, 2018. Following her retirement Mowi ASA decided to return to a structure of having one COO Farming position with global responsibility (Per-Roar Gjerde).

SHARE OPTION SCHEME - OPTIONS TO SENIOR EXECUTIVES		2018-ALLOTMENT OF CALL OPTIONS	2017-ALLOTMENT OF CALL OPTIONS	2016-ALLOTMENT OF CALL OPTIONS	2015-ALLOTMENT OF CALL OPTIONS
Alf-Helge Aarskog	CEO	308 382	332 676	564 539	630 885
Ivan Vindheim	CFO	102 794	110 892	120 115	126 177
Per-Roar Gjerde	COO Farming	102 794	110 892	58 209	63 089
Ola Brattvoll	COO Sales & Marketing	102 794	110 892	120 115	126 177
Ben Hadfield	COO Fish Feed	102 794	110 892	120 115	126 177
Øyvind Oaland	Global Director R&D	25 699	—	—	—
Anne Lorgen Riise	Group Director HR	25 699	—	—	—
Glenn Flanders	Chief Strategy Officer	25 699	—	—	—
<b>Total options</b>		<b>796 655</b>	<b>776 244</b>	<b>983 093</b>	<b>1 072 505</b>
Strike price as of December 31, 2018 (NOK)		173.28	145.87	127.41	79.59

### Pension plans

Mowi ASA has a defined contribution plan where the contribution is limited to 8% of salaries up to 12G. There were 55 members in the plan as of December 31, 2018. The pension plan is in accordance with the

legal requirements in Norway. Mowi ASA has a defined benefit plan for one former employee.

DEFINED BENEFIT PLAN (EUR MILLION)	2018	2017
Current service cost	0.1	0.1
Interest cost on benefit obligation	0.1	0.1
Social security taxes	—	—
<b>Net pension expense</b>	<b>0.2</b>	<b>0.2</b>
<b>Benefit liability</b>	<b>3.4</b>	<b>4.2</b>
<b>The assumptions used in determining the pension liability</b>		
Discount rate	2.60%	2.40%
Expected rate of future salary increase	2.75%	2.50%
Future rate of pension increases	2.50%	2.00%
Members in the plan	1	1

REMUNERATION TO BOARD OF DIRECTORS (EUR THOUSAND)		BOARD FEE	AUDIT COMMITTEE FEE	TOTAL 2018	TOTAL 2017
Ole-Eirik Lerøy	Chair of the Board	120	—	120	118
Lisbet K. Nærø	Vice chair of the Board and Chair of the audit committee <sup>1)</sup>	65	13	78	72
Birgitte Ringstad Vartdal	Member of the Board and member of the audit committee <sup>1)</sup>	47	13	60	59
Cecilie Fredriksen	Member of the Board <sup>2)</sup>	47	—	47	54
Kristian Melhuus	Member of the Board	47	—	47	—
Paul Mulligan	Member of the Board	132	—	132	133
Jean-Pierre Bienfait	Member of the Board	47	—	47	43
Unni Sværen	Member of the Board - employee representative	42	—	42	43
Anders Sæther	Member of the Board - employee representative <sup>3)</sup>	21	—	21	—
Jørgen Wenggaard	Member of the Board - employee representative <sup>3)</sup>	21	—	21	—
Lars Eirik Hestnes	Former member of the Board - employee representative <sup>3)</sup>	21	—	21	43
Yngve Magnussen	Former member of the Board - employee representative <sup>3)</sup>	21	—	21	—
Ørjan Svanevik	Former member of the Board	—	—	—	43
Stein Mathiesen	Former member of the Board - employee representative	—	—	—	43
		<b>629</b>	<b>26</b>	<b>655</b>	<b>650</b>

1) The audit committee in 2018 consisted of Lisbet K. Nærø (Chair in the second half of the year) and Birgitte Ringstad Vartdal (Chair in the first half of the year).

2) The total fee for 2017 includes EUR 11 thousand audit committee fee.

3) Anders Sæther and Jørgen Wenggaard replaced Lars Eirik Hestnes and Yngve Magnussen as employee representatives to the Board during 2018.

None of the members of the Board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above.

### THE BOARD OF DIRECTORS' STATEMENT ON THE PRINCIPLES APPLICABLE TO THE DETERMINATION OF SALARIES AND OTHER COMPENSATION FOR SENIOR EXECUTIVES

Pursuant to section 6-16a of the Public Limited Companies Act the Board of Directors of Mowi ASA is required to prepare a statement on the principles applicable to the determination of salaries and other compensation for senior executives.

#### 1. Responsibility

The Board of Mowi ASA determines the principles applicable to the Group's policy for senior executive compensation.

The Board is directly responsible for the determination of the CEO's salary and other benefits. The CEO is, in consultation with the chair of the Board, responsible for the determination of the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of each Business Area as well as the senior members of the corporate staff.

#### 2. Goal

The purpose of Mowi's compensation principles for senior executives is to attract employees with the competence required by the Group, retain

employees with important competence and motivate employees to contribute in the long-term in order to reach the Group's business goals.

The Group's most important competitive advantage shall be the ability to offer each employee meaningful and challenging responsibilities in a good working environment.

#### 3. Guidelines

The following guidelines shall form the basis of the determination of compensation to the Group's senior executives:

The total compensation offered to senior executives shall be competitive, both nationally and internationally.

The compensation shall contain elements providing necessary financial security following termination of the employment, both before the age of retirement and in connection with this.

The compensation shall be motivating, both for the individual and for the Group's senior executives as a group.

Variable elements in the total compensation to the Group's senior executives shall be linked to the values generated by the Group for the benefit of Mowi ASA's shareholders.

The system of compensation shall be understandable and meet general acceptance internally in the Group, among the Company's shareholders and with the public.

The system of compensation shall be flexible and contain mechanisms which make it possible to carry out individual adjustments based on the results achieved and contributions made towards the development of the Group.

#### 4. Principles applicable to the determination of salary and other remuneration in 2018

##### 4.1 Fixed salary

The fixed salary which each individual senior executive in the Group will receive in 2018 is a consequence of existing employment agreements. When recruiting, the salary level offered will reflect this. Adjustments of individual fixed salaries will be carried out in accordance with trends in local labor markets, the results achieved, and individual contributions to the development of the Group.

##### 4.2 Benefits in kind

The Group's compensation schemes include only a limited number of benefits in kind. These benefits correspond to common practice in local labor markets and typically include personal communication equipment, access to media, and in some cases car and parking arrangements. These schemes will be continued in 2019 according to existing agreements. Such schemes will be included in the terms for new employees in accordance with established practice.

##### 4.3 Pension

The Group currently operates a number of pension schemes for its employees. These are further described in Note 14 to the Group financial statements.

The pension schemes comply with such local statutory requirements as the individual companies in the Group are obliged to comply with. Schemes which go beyond what is required by law are mainly contribution based. These schemes will be continued in 2019. New employees will be included in the schemes in accordance with local practice.

##### 4.4 Termination payments

The Group has individual agreements on termination payments upon dismissal with several of its senior executives. The right to receive a termination payment is linked to a waiver of the general protection against termination under applicable employment laws. The period of termination payment is normally up to 24 months from resignation. There are no plans to change existing agreements for senior executives in this area in 2019. The current practice on the use of termination payments will be continued in 2019 in relation to new recruits.

##### 4.5 Bonus

The Group's senior executives have, as a part of their employment terms, a right to receive an annual bonus. The scheme is cash-based and is normally triggered for each individual if set goals for the Group, and for the individual entitled to bonus, are met. 70 % of the bonus is linked to the target achievement of the Group and a Business Area, while 30 % is linked to individual goal achievement. The size of the bonus is, for each individual, limited to a share of the person's fixed salary. Such bonus shall normally not exceed 50% of the fixed salary. Bonus for the CEO

and the CFO is capped at 50% and 100% respectively of the fixed salary. There are no plans to change the current bonus scheme. New permanent employees in 2019 will be included in this scheme.

##### 4.6 Share option scheme

The Group has a share option scheme for senior executives, pursuant to which allocations were made in 2015, 2016, 2017 and in 2018. The scheme is based on annual allocations by the Board of Directors of a number of European call options with a strike price of 107.5% of the share price at the date of the annual general meeting authorizing allocations under the scheme. The options have a term of four years but will become exercisable immediately if a mandatory bid is made for all of the shares in Mowi or if Mowi is the non-surviving entity in a merger with another company.

If the holder of the options exercises the options, the Company may settle its obligation through the issue of new shares or, alternatively, by selling treasury shares to the option holder. There will be no lock-up obligation on the shares the option holder receives through the exercise of the option. The exercise of the option is conditional upon the option holder being employed in a non-terminated position in the Group at the date of exercise. The number of shares and the strike price will be adjusted for dividends and changes in the equity capital during the term of the option according to the Oslo Stock Exchange's derivative rules. Total profit through the exercise of the option in a year is capped at two years' salary for the option holder. If the profit exceeds this limit, the number of shares to be issued will be reduced accordingly.

Following the 2018 annual general meeting (the "2018 AGM"), the Board of Directors allocated 1.5 million options with a strike price corresponding to 107.5% of the volume weighted average share price on OSE the day of the 2018 AGM, being NOK 178.1164, to a total of 26 individuals.

The Board of Directors will propose a continuation of the scheme to the 2019 annual general meeting (the "2019 AGM"). A total allotment of up to 1.5 million options will be proposed based on a strike price corresponding to 107.5% of the volume weighted average share price on OSE the day of the 2019 AGM.

Eligibility to the share option scheme is limited to: Group CEO, other Senior Executives and management and key experts of business areas, subsidiaries and group functions, based on the following criteria:

- *the position and individual is important in realizing the Mowi Group ambitions;*
- *the individual is considered critical for the Business Unit(s);*
- *the individual is expected to continue in a role covered by the scheme;*
- *the individual will not retire during the first year of the scheme.*

##### 4.7 Share purchase program

The Board will, annually, consider giving all permanent employees in Mowi ASA and its Norwegian, Scottish and Canadian subsidiaries the opportunity to acquire shares in the Company at a gross amount of up to NOK 30 000 at a discount of 20%.

#### 5. Remuneration of senior executives in 2018

In the course of 2018 and the first quarter of 2019, the Group has complied with the policy for remuneration of senior executives that was presented at last year's general meeting.

### NOTE 15 - OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES (EUR MILLION)	2018	2017
Sales and marketing costs	-0.7	-0.8
IT costs	-6.5	-5.8
Consultancy and audit fees	-11.2	-8.9
Travel expenses	-0.9	-1.2
Rent and leases	-0.7	-0.7
Other operating costs	-0.3	-0.6
<b>Total other operating expenses</b>	<b>-20.4</b>	<b>-18.1</b>

### NOTE 16 - AUDITORS FEES

FEES TO AUDITORS (EUR MILLION)	2018	2017
Audit services	0.4	0.5
Tax advisory services	0.2	0.1
Other non-audit fees	0.1	—
<b>Total fees</b>	<b>0.7</b>	<b>0.6</b>

Auditor's fee is stated exclusive value added tax.

### NOTE 17 - SUBSEQUENT EVENTS

There has been no significant subsequent events in 2019.

## DIRECTORS RESPONSIBILITY STATEMENT

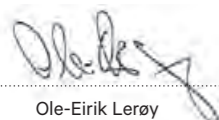
Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated and separate annual financial statements for Mowi ASA, for the year ended December 31, 2018 (Annual report 2018).

Mowi ASA's consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for Mowi ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of December 31, 2018. The Board of Directors' report for the Group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as of December 31, 2018.

### To the best of our knowledge:

- *The consolidated and separate annual financial statements for 2018 have been prepared in accordance with applicable financial reporting standards*
- *The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of December 31, 2018 for the Group and the parent company*
- *The Board of Directors' report for the Group and the parent company includes a fair review of:*
  - *The development and performance of the business and the position of the Group and the parent company*
  - *The principal risks and uncertainties the Group and parent company face.*

BERGEN, MARCH 26, 2019



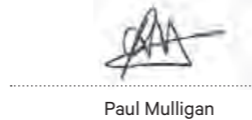
Ole-Eirik Lerøy  
Chair of the Board



Lisbet K. Næro  
Vice Chair of the Board



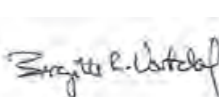
Cecilie Fredriksen



Paul Mulligan



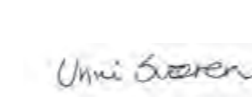
Jean-Pierre Bienfait



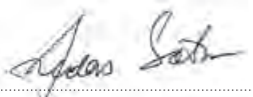
Birgitte Ringstad Vartdal



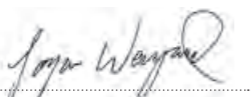
Kristian Melhuus



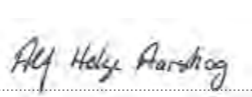
Unni Sværen  
Employee representative



Anders Sæther  
Employee representative



Jørgen Wenggaard  
Employee representative



Alf-Helge Aarskog  
Chief Executive Officer

## Auditor's report, financial audit



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Medlemmer av Den norske revisorforening

### INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Mowi ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Mowi ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2018, the statement of profit and loss and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2018, the statements of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of 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;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

#### 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 for 2018. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.





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#### Acquisition of Northern Harvest - Purchase price allocation

On 3 July 2018, the group acquired 100% of the shares of Northern Harvest for a total consideration of approximately EUR 210 million.

Management made, in accordance with IFRS 3, a purchase price allocation in which the consideration was allocated to the various identified assets and liabilities of the acquired group based on the evaluated fair values. The evaluation and identification of assets and liabilities and the assumption used in the allocation of the purchase price require significant judgement by management. The audit of the purchase price allocation was a key audit matter due to the size of the transaction and the significant judgments and assumptions involved in the recognition and measurement of the allocated values in the group financial statement.

We obtained an understanding of the valuation process including valuation methods and the assumptions used for the allocation, including the identification of and valuation of acquired assets and liabilities. Furthermore, we evaluated the application of IFRS 3 including management's assessment of acquisition date.

Moreover, we also assessed the related disclosures in the notes to the financial statements. We refer to note 22 in the consolidated financial statement.

#### Valuation of biological assets

The biological assets are valued at fair value less cost to sell in accordance with IAS 41 and IFRS 13. At December 31, 2018 biological assets amounted to EUR 1 559,3 million, which is 30,3 % of the Group's total assets. The fair value adjustment included in the carrying amount was EUR 459,1 million.

The estimation of fair value of biological assets is complex and requires significant judgment from management. For fish in sea, not ready for harvest (immature fish) the fair value was calculated using a model based on a net present value methodology. The calculation was based on assumptions of biomass volume, quality, market prices, remaining expenses and time in sea until the fish is ready for harvest

Given the significant amount of biological assets and the degree of judgement involved in the valuation, we consider valuation of biological assets to be a key audit matter.

We evaluated the accounting principles, industry practice and assessed the model used for the fair value estimate. We compared the estimated future market prices applied with observable available market prices, achieved prices or contract prices for the period when harvesting is expected. We evaluated the estimated remaining expenses to produce the harvest mature fish, including assumptions applied such as harvesting plans, estimated growth rate and estimates for mortality and quality. Furthermore, we analysed and evaluated the historical accuracy of prior periods' forecasts. We also performed a sensitivity analysis of the critical assumptions in the model.

We assessed the group's disclosures regarding biological assets. We refer to note 2, 3 and 6 to the consolidated financial statements.

#### Impairment of licenses in Chile

At December 31, 2018, the book value of the group's licenses in Chile amounted to EUR 123,8 million of the total licenses of EUR 781,4 million. No impairment was recognised in 2018.



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Management prepared an impairment assessment based on a value in use calculation using budget cash flows for 2019 and forecasted cash flows for the subsequent years 2020-2023, where 2023 is terminal year. These cash flows are based on key assumptions such as expected harvested volume based on approved smolt stockings, margins, capital expenditure from approved budget and long term plan, discount rates and the growth rates in the terminal value. The estimates require considerable insight and judgement from management. There is a risk for impairment as an impairment was recognized in 2017 and uncertainty still exists with respect to harvesting volumes and regulatory impact for the fish farming industry in Chile. The impairment evaluation was a key audit matter to our audit due to significant judgments involved in the estimates used in the forecasted cash flows.

We evaluated the value in use model, management's estimates relating to the future cash flows, and management's sensitivity analysis. We compared assumptions with external information, such as expected market conditions for licenses and the market development. We also performed analysis and evaluation of historical accuracy of prior year's forecasts. We further inquired and had discussion with both group and local management. We tested the mathematical accuracy of the value in use calculation in the model. We involved an internal valuation specialist in the evaluation of the methodology, growth rate and the discount rate applied in the value in use model.

We assessed the group's disclosures regarding impairment testing. We refer to note 8 of the consolidated financial statements.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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



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As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including 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, 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 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 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 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 fair presentation.
- ▶ 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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

### Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



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### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 26 March 2019  
ERNST & YOUNG AS

Øyvind Nore  
State Authorised Public Accountant (Norway)

## Auditor's report, GRI audit



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To the Board of Directors of Mowi ASA

### Independent assurance report – Sustainability Reporting for 2018

We have performed an independent verification of Mowi ASA's reporting on Sustainability for 2018 within their annual report (the Sustainability Report), which involves an assessment of whether the information presented in the Sustainability Report is based on relevant criteria from the guidelines for sustainability reporting from the Global Reporting Initiative Standards option "core" (GRI Standards). Externally assured information is indicated in the GRI index in the Sustainability Report for the financial year 2018.

### Management's responsibility

Mowi ASA's management is responsible for the selection of the information and collection of the data for presentation and for the preparation of the Sustainability Report in accordance with the GRI Standards criteria.

### Our Independence and Quality Control

We have complied with the independence requirements of the Norwegian Law on Auditors and Auditing and other ethical requirements from the Code of Ethics of the Norwegian Institute of Public Accountants which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control (ISQC1) "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's tasks and duties

Our task is to issue an independent report to the Board of Directors on the Sustainability Report based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the information in the Sustainability Report is prepared and presented in accordance with relevant criteria for sustainability reporting in accordance with GRI Standards and does not contain material errors.

Our work has consisted of the following procedures:

- ▶ Review of Mowi ASA's process for the preparation and presentation of the Sustainability Report to provide us with an understanding of how Sustainability is ensured in practice within the business
- ▶ Interviewed those in charge of Sustainability reporting to develop an understanding of the process for the preparation of the Sustainability Report
- ▶ Verified on a sample basis the information in the Sustainability Report against source data and other information prepared by Mowi ASA
- ▶ Assessed the overall presentation of the Sustainability Report against the criteria in GRI Standards including a review of the consistency of information

In our opinion the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.



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### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Sustainability Report, in all material respects, is not prepared and presented in accordance with the GRI Standards criteria, or that the information in the Sustainability Report contains material misstatements. Indicators covered by our assurance report are listed in the GRI index.

Bergen, 26 March 2019  
Ernst & Young AS

  
Øving Nore

State Authorised Public Accountant

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# Analytical and share information, APM and risk

## Analyzing Mowi

We want to contribute to the correct pricing of our share by giving the market in-depth, relevant and accurate information about the salmon farming industry in general and our activities in particular. This is why we include an extensive overview of our industry, its key drivers and alternative performance measures (APM) in a separate section of the integrated annual report. We use APMs in our operational follow up as we believe these provide additional insight when analyzing our Group's development. For more information see also our industry handbook at [mowi.com](http://mowi.com).

## Share information and market capitalisation

At year-end 2018 the market capitalisation of Mowi was NOK 94.3 billion (68.1 billion). The share price year-end 2018 was NOK 182.70 (139.00). We paid NOK 10.40 (12.40) in dividends in 2018 translating into a dividend yield of 5.7% (8.9%) for the year.

## Risk and risk management

Risk relates to the uncertainty and the factors that may prevent us from generating the expected returns, reaching our goals and deliver on our strategy. In Mowi, we split our defined risks into subcategories within our four guiding principles - Profit, Planet, Product and People to ensure that they are addressed by our most capable people within each area.

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## Analytical information

We want to contribute to the correct pricing of our share by giving the market in-depth, relevant and accurate information about the salmon farming industry in general and our activities in particular.

### Farmed salmon - a healthy source of protein

We engage in aquaculture, which involves cultivating aquatic organisms under controlled conditions. Aquaculture is a fast-growing food producing sector. 70% of our planet is covered with water, yet the United Nations Food and Agriculture Organization (FAO) estimates that only approximately 2% of the world's food supply comes from the ocean. In 2016, the aquaculture industry contributed 53% of the fish destined for human consumption. The aquaculture industry's output has soared since the mid-1990s, while the wild fish harvest in the same period has been stable.

It is estimated that the global population will grow from 7.6 billion in 2018 to almost 9.4 billion by 2050, resulting in increased demand for protein-rich food. According to the FAO, an additional 47.5 million tonnes of aquatic food will be required by 2050.

Our main product is farmed Atlantic salmon. Consumption of Atlantic salmon is considered to be healthy because of its high content of protein, Omega-3 fatty acids, vitamins and minerals. Atlantic salmon farming started on an experimental level in the 1960s, and became an

industry in Norway in the 1980s. Salmon farming consists of raising juvenile salmon, or smolt, to fully grown salmon in large pens located in the sea, fjords and bays. Salmon farming also includes raising smolt from salmon eggs, which takes place in freshwater, typically in lakes or tanks on land. Almost all commercially available Atlantic salmon is farmed. Due to biological constraints, seawater temperature requirements and other natural limitations, farmed salmon is produced in Norway, Chile, Scotland, North America, Faroe Islands, Ireland and New Zealand/Tasmania.

Atlantic salmon is a small but growing part of the global protein supply. Despite an increase in production of Atlantic salmon of more than 900% since 1990 (according to the FAO), the total global supply of salmon is still marginal compared to most other major seafood categories. This is because the industry has reached a production level where biological boundaries are being pushed.

Future growth requires the implementation of measures to reduce the industry's biological footprint. This will necessitate progress in technology, non-pharmaceutical techniques, industry regulations and intercompany cooperation.



### Our approach - an integrated protein provider

We are the world's largest producer of farmed salmon, both by volume and revenue, offering fresh, whole salmon, processed salmon and other processed seafood products to customers in approximately 70 countries worldwide. We currently engage in three principal types of production activities:

- salmon feed production in Norway and soon also in Scotland;
- salmon farming and primary processing of salmon in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands; and
- secondary processing of seafood in Norway, Chile, Ireland, the United States, Scotland, Canada, France, Belgium, the Netherlands, Poland, the Czech Republic, Germany, Spain, Turkey, Sweden, Japan, Vietnam, Taiwan, China and South Korea.

To further support our farming activities, the associated company DESS Aquaculture Shipping ("DESS Aqua") was established in 2016 for the purpose of building, owning and operating aquaculture vessels. Mowi owns 50% of DESS Aqua. In 2018, the company took delivery of the harvest vessel "Aqua Merdø" and the well boat "Aqua Tromøy". DESS Aqua also has a new building program of ten vessels. When the new building program is completed, the fleet will consist of 12 aquaculture vessels.

We continue the process of transforming ourselves from a production-driven fish farming company into an integrated marine protein provider, by expanding in fish feed and broadening our farming and secondary processing operations.

We opened our first feed factory in June 2014 to facilitate our control of the value chain, enable the rapid development of improved feed products and ensure quality throughout the process. Our feed plant in Bjugn, Norway, supplied 97% of our Norwegian fish feed requirements in 2018. Our second feed plant at Kyleakin on the Island of Skye, Scotland was given the go-ahead by the Highland Council in February 2017. The plant is expected to start trial production in April 2019. Through the gradual in-sourcing of feed, we expect to obtain lower feed costs as well as improved growth, lower feed conversion rates and higher end-product quality.

Our fish farming operations cover the salmon's entire lifecycle, from egg to harvest size. We also have facilities for harvesting and primary processing of our fish. We have our own breeding and genetics department and our strategy is to produce our own eggs to secure the selection of the best genetic properties. We keep our own broodstock and invest significant efforts and resources to improve the performance, disease resistance, quality and welfare of the fish. Juvenile fish (smolt) are transferred to the sea at different weights depending on the requirements of the sites to be stocked and our smolt production capacity. The average weight of smolt put to sea in 2018 was 146 grams, up from 145 grams in 2017. The fish are then nurtured in the sea for a period of 12-22 months depending on the size of the smolt stocked, the temperature of the seawater, our farming practices

and the biological situation. At harvest weight, approximately five to six kg live weight equivalent, or LWE, the salmon undergoes primary processing into gutted weight equivalent, or GWT, which is the main commodity sold to the markets and used in most reference prices. The customers of our primary processed salmon are retailers, secondary processors, including our own operations, and distributors. Our secondary processing operations turn the gutted fish into products such as fillets, steaks and other portions of fish - smoked, fresh and frozen. The broadening of our secondary processing operations started with the acquisition of Morpol, a world leading secondary processor of salmon, in 2012/2013. Reflecting the success of our sales of fresh prepacked products in the US market, we opened a new plant in Dallas, Texas in December 2016 and in Surrey, British Columbia, in December 2017. In September 2018 the expansion of the Ducktrap facility was opened, which will increase Ducktrap's production capacity by 75%. We currently operate 28 secondary processing facilities, the largest of which are located in Ustka, Poland; Bruges, Belgium; Rosyth, Scotland; and Boulogne, France. Secondary processing activities include further preparation to create ready-to-heat or ready-to-eat products and packaging the products. Purchasers of secondary processed salmon include retailers, such as grocery stores, food service providers such as hotels and other service and catering entities, as well as industry customers including meal and salad producers.

### Business areas and segments

We are organized into three Business Areas: Feed, Farming and Sales & Marketing.

1. Feed comprises our two feed plants in Norway and Scotland. The latter starts operations in 2019.
2. Farming comprises a single operating segment composed of our farming operations in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands. This segment also includes primary processing activities and some filleting activities (a secondary processing activity).
3. Sales & Marketing is composed of two operating segments:
  - Markets: the segment comprises activities relating to sales of our primary processed products obtained from the Farming business and, to a lesser extent, purchased from third parties. It also includes logistics and delivery of our products to third-party customers, as well as to our internal secondary processing operations (including Consumer Products) and some secondary processing activities; and
  - Consumer Products: the segment includes our main secondary processing and value added operations, as well as end-product sales, including logistics.

In addition to our principal operating segments, we have a group of "Other" activities, consisting of corporate functions.

The following illustration demonstrates activities conducted by our Business Areas.

### The Mowi value chain



Activities conducted by our Business Areas, interacting with suppliers and customers.

### Value creation measured by country of origin

Our Farming business is engaged in the production, harvesting and primary (and some secondary) processing of fish. For reporting purposes, Farming sells its main products (i.e. salmon gutted weight) to the Markets segment at prices quoted by Nasdaq OMX (Nasdaq price) or similar salmon pricing indices. If Markets have entered into medium or short-term contracts with third parties, salmon is sold from Farming to Markets at prices reflected in such contracts. The Markets segment resells the primary processed salmon to (i) third parties or (ii) Consumer Products for further processing. Markets also include some secondary processing activities. Consumer Products secondary process salmon purchased from Markets, together with salmon and other seafood purchased from third parties, and sells these products to third parties.

We assess the overall value creation of our operations based on the salmon's source of origin, using Operational EBIT per kg of fish harvested as a key measure of performance. For this reason Operational EBIT related to our Feed and Sales & Marketing operations is allocated back to the country of origin.

The relationship between our functional segments and our operational reporting per country of origin is illustrated on the following page.

### Our most important value drivers

#### KEY FACTORS AFFECTING REVENUE

Our primary source of revenue is the sale of primary and secondary processed seafood (including value added products), mainly salmon. Revenue generated by our products is the factor of volumes sold and the price that we achieve for our products. Our products are shipped long distances by road, air and water. Our revenues therefore include a substantial freight element, since the freight cost generally is paid by customers.

Sales of salmon and salmon-derived products represented 91.0% and 90.9% of our revenue for the years ended December 31, 2018 and 2017, respectively. Fresh whole salmon (i.e. primary processed salmon) represented 37.1% of our total revenues in 2018, compared to 41.2% in 2016. In the same periods, fresh smoked salmon and fresh and frozen elaborated salmon (i.e. secondary processed salmon) accounted for 51.3% and 48.0% of our revenues. We sell salmon and other seafood directly to retailers, hotels, restaurants as well as to third party processors and distributors in approximately 70 countries worldwide.

#### Volume

##### Primary processed products (harvested volume)

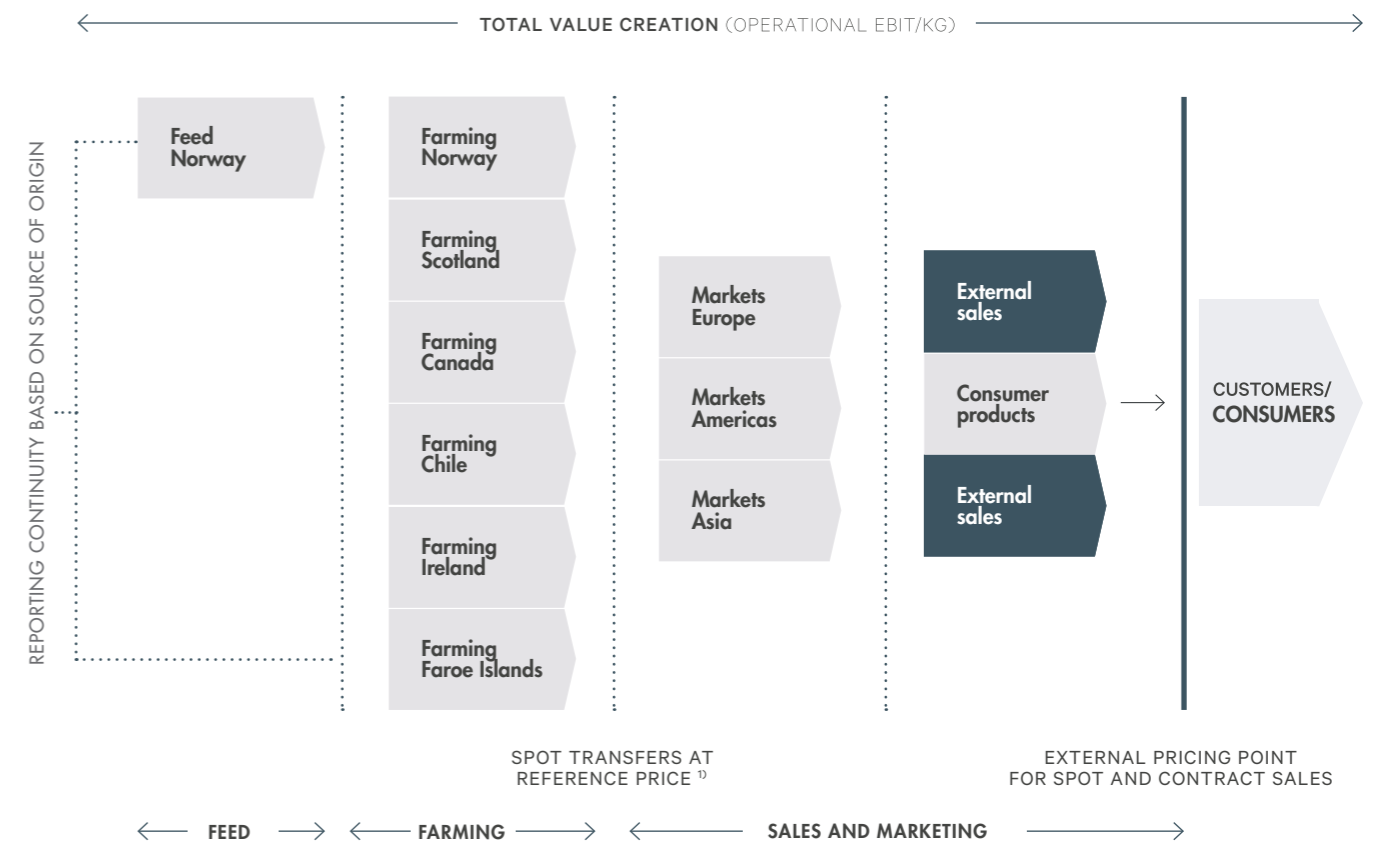
Harvested volume primarily depends on the quantities of smolt introduced into our operations, which are determined by us one-to-two years prior to harvesting, fish growth rates and our harvesting schedule.

The quantities of smolt introduced into our operations are based on our expectations for the demand for finished product at harvest time, anticipated product prices and our organic growth ambitions in light of regulatory constraints (e.g. maximum standing biomass in production established by our farming licenses).

Fish growth rates are affected by water temperature, disease and other biological issues. As salmon is a cold-blooded animal, seawater temperature plays an important role for its growth rate. With high seawater temperatures, disease risk increases, while temperatures below freezing cause mass mortality. Similarly, biological factors, disease, sea lice and stress of fish each negatively impact the rate of growth of our fish and may result in reduced fish survival.

Volumes in a period are also affected by our harvest schedule, i.e. when we decide to harvest fish from a particular location. Our harvest window is effectively limited by fish age, as fish must be harvested prior to maturation. Nevertheless, we do have a limited ability to accelerate or delay harvest (typically, by a matter of weeks) to optimize price achievement.

### Value creation by country of origin



1 Where Markets enters into medium or short term sales contracts with third parties, salmon is sold from Farming to Markets at prices reflected in such contracts.

#### Secondary processed products

The majority of our secondary processing occurs in our Consumer Products segment in Europe, Asia and the Americas, while some secondary processing also occurs in our Markets segment. Some filleting activities are also carried out by our Farming operations. The volume of secondary processed salmon, including value added products that we produce depends on market demand for our secondary processed seafood and the production capacities of our operations.

The majority of the fish used in our secondary processing business in Consumer Products was produced by our fish farms. We have a constant supply of raw materials used in production and can vary our volume of secondary processed seafood based on projected customer demand. In addition to sales of salmon-based products, which represents the clear majority of sales to third party customers in Consumer Products, we also sell products based on other fish

species, such as cod, pangasius, saithe, Alaska pollock, sockeye, and haddock.

#### Prices

The price received for our products is determined by the relevant market prices. Our achieved prices may deviate from market prices due to differences in the quality of our product, sales contracts, which typically fix the sales price for a period of three to 12 months, but sometimes longer, and our ability to place our products efficiently in the market. We aim to sell our products at or above market prices, and we measure our ability to do so through price achievement, which measures the prices at which we sell our products against the relevant salmon price index or reference price.

We have been actively pursuing strategies to reduce our dependence on market prices for salmon by increasing our capacity to produce

more value-added products, which are generally associated with more stable consumer prices.

#### Reference prices for salmon

Several price indices for salmon are publicly available. The two most important indices for Norwegian salmon are Nasdaq/Fish Pool provided by NOS Clearing ASA, a subsidiary of Nasdaq OMX Group Inc., and the official statistics of Norway by Statistics Norway, or SSB, a Norwegian governmental entity. Urner Barry in the United States provides a reference price for Chilean salmon in Miami and North American salmon in Seattle. Price correlation across regional markets is generally strong for Atlantic salmon, but we have recently seen a tendency of reduced correlation between prices in America and Europe.

Historically, reference prices for salmon have been subject to significant fluctuations, as demand for salmon has been growing steadily, whereas supply has fluctuated strongly due to variations in factors such as smolt release and biological status, including disease.

Although the market price of salmon is established through supply and demand for the product, in the short term, salmon producers are expected to be price takers. The long production cycle and a short time window available for harvesting leave salmon farmers with limited flexibility to manage their short-term supply. In addition, salmon is generally sold as a fresh commodity with a limited product lifespan, further restricting producers' ability to control short-term supply.

As our Irish operation produces mainly organic salmon, there is no reference price available for benchmarking our salmon of Irish origin. Salmon from our Irish operations is sold mainly on contracts.

Prices for the products produced by Consumer Products are primarily driven by customer demand and the cost of the raw materials used in their production. Because secondary processed/elaborated products, including value added products, are to some extent considered to be premium products, demand fluctuates with the state of regional and global economies and the consumers' general wealth. In addition, global trends in consumer tastes affect demand for such products. The cost of raw materials is largely dependent on reference prices, especially Atlantic salmon prices, most of which we supply internally from our Farming operations. In 2018 average raw material prices declined somewhat in line with decreased salmon prices.

#### Quality

The quality of our fish may greatly affect the price we are able to achieve in comparison to the reference price. Diseases, sea lice, biological issues (such as Kudoa) and stress may all impact the quality of our fish, resulting in downgrading and lower achieved prices. In addition, when salmon reach reproductive maturity, or maturation, the flesh color and meat quality changes, resulting in lower product quality.

Fish may be classified as superior, ordinary or production quality. Superior quality fish is a product without damage or defect that

provides a positive overall impression. Ordinary quality fish is a product with limited external or internal faults, damage or defects. Production quality fish is a product that does not satisfy the requirements of either superior or ordinary quality due to product faults, damage or defects. In Norway, downgraded fish are normally priced according to standard rates of deduction compared to a superior quality fish. For fish classified as ordinary the standard rate of reduction is EUR 0.15 to EUR 0.20 per kg gutted weight. For fish classified as production grade the standard rate of reduction is EUR 0.5 to EUR 1.50 per kg gutted weight, depending on the reason for downgrading. In other countries, price deductions related to quality are not as standardized, but the same general principles apply.

#### Contracts and derivative instruments

To limit our exposure to short and medium-term fluctuations in salmon prices, we enter into sales contracts for future deliveries of our products. Our sales contracts generally have a duration of three to 18 months, but sometimes longer. Our target is to optimize the contract portfolio to attain the best possible mix of contracts and spot sales, with an average contract coverage ratio typically between 20% and 50%.

Contracts mitigate our exposure to fluctuations in salmon prices, but can also result in us selling our products at prices that are lower than reference price.

We also utilize salmon derivatives to hedge our exposure to fluctuations in reference prices. Salmon derivatives provide the same hedge against exposure to spot price fluctuations as contracts for future sales of salmon to customers, so we use hedging instruments as well as contracts to achieve our contract coverage goals described above.

#### Price achievement

The average price achievement measures the prices that we are able to achieve on our products against a salmon price index. The achievement is measured against Nasdaq for salmon of Norwegian, Scottish and Faroese origin, and Urner Barry for salmon of Canadian and Chilean origin.

The average price achievement measure demonstrates our ability to sell our products at above market rates and is thus an important measure of our success. Price achievement is primarily affected by contract coverage, fish quality and our ability to place our products efficiently in the market.

#### KEY FACTORS AFFECTING COSTS

Our costs are primarily affected by the cost of our fish feed, other purchases (including third-party raw material sourcing), salaries, other operational costs and biological factors. We use these cost categories to track our costs at consolidated level.

Costs in our Farming segment are categorized into feed costs, other seawater cost and non-seawater costs and we track these costs per kg of fish harvested, where:

- *fish feed costs measure the cost of fish feed;*
- *other seawater costs measure costs relating to smolt, salaries, insurance, medication and other direct and indirect costs attributable to fish production at sea; and*
- *non-seawater costs are the cost of bringing the fish from the seawater site to the primary processing facility, primary processing costs, administration costs, exceptional mortality costs and other non-seawater costs incurred by the respective farming operations.*

These costs (fish feed, other seawater costs and non-seawater costs) represent the total cost for one kg gutted salmon packed in a standard box for shipping ("cost in box", also referred to as full cost and cost per kg Farming). The term "cost in box" is widely used by the industry and analyst community as an indicator of operational efficiency in fish farming operations. These costs are included in the following line items in our consolidated statement of operations: cost of materials, salary and personnel expenses, other operating expenses and depreciation. The total of feed cost and other seawater costs is the cost of harvested fish in seawater, before transportation to the processing plant. We refer to these costs as biomass costs or biological costs.

Costs in our Feed operations are primarily composed of raw material costs (e.g. fish meal, fish oil, vegetable meals and oils) and costs associated with running feed operations, such as salaries and utilities.

Costs in our Sales & Marketing Business Area are primarily composed of raw material costs (e.g. primary processed salmon), which we to a large extent produce internally for our Consumer Products operations, and costs associated with running secondary processing operations, such as salaries and utilities. We measure our secondary processing operational efficiency through yield and throughput. Yield measures the number of kg of end product we are able to produce from one kg of raw materials. Throughput measures our secondary processing cost per kg produced.

Because it takes two to three years to bring a salmon to harvest size, fish feed prices and prices for other costs associated with the farming of fish accumulate over multiple periods (i.e., the entire life of the fish), and affect the cost of materials recognized in the period when our fish is harvested and sold. Costs associated with secondary processing are expensed in the period in which the product is sold, unless goods are produced for stock to be sold in a later period.

The table below shows the estimated effect on our Operational EBIT of a change in market price, harvest volume and cost of fish feed.

#### ESTIMATED SENSITIVITIES ON ANNUAL RESULTS 2018

CHANGE FACTOR	CHANGE	EFFECT ON OPERATIONAL EBIT	FIXED CONTRACT SHARE
Change in global average sales price with contracts <sup>1)</sup>	0.10 EUR per kg GWT	23.0	40.0%
	1.00 EUR per kg GWT	225.0	40.0%
	2.50 EUR per kg GWT	563.0	40.0%
Change in global average sales price without contracts <sup>2)</sup>	0.10 EUR per kg GWT	38.0	—%
	1.00 EUR per kg GWT	375.0	—%
	2.50 EUR per kg GWT	938.0	—%
Change in total harvest volume <sup>3)</sup>	10 000 tonnes GWT	20.0	
Change in global feed price <sup>4)</sup>	-0.05 EUR per kg feed	25.0	
	-0.50 EUR per kg feed	255.0	
	-1.00 EUR per kg feed	509.0	

1) Assuming 40% of sales on fixed price contracts and 60% in the spot market

2) Assuming all sales in the spot market

3) Assuming margin per kg harvested of EUR 2

4) Annual harvest volume converted to live weight multiplied with the feed conversion rate

Note that the effect in Operational EBIT will be recognized when the fish is harvested and sold



### Fish feed

Fish feed is our largest expense category, and it accounted for approximately 39% of our "cost in box" per kg in 2018 compared to 41% in 2017.

In addition to own production of feed, we procure our fish feed from a limited number of suppliers globally. Our arrangements with the suppliers generally provide that we acquire the fish feed at prices tied to the market prices for the raw materials used in producing the feed, such as fish meal, fish oil, vegetable oils and meals. The arrangements are subject to a minimum fee per kg of fish feed, structured to cover the suppliers' operational costs and margins. Our arrangements generally do not contain minimum or maximum fish feed purchase quantities. The feed cost accumulate over multiple periods (i.e., the entire life of the fish) and is recognized in the period when our fish is harvested and sold.

The yield generated from our fish feed is affected by the feed conversion rates, which is the number of kg of fish feed needed to increase a fish's bodyweight by one kg. Our feed conversion rate is typically between 1.1 and 1.2 kg of feed per kg of fish produced.

### Other seawater costs in Farming

Other seawater costs in Farming represent costs associated with smolt purchases, employee salaries, insurance, medication and other direct and indirect costs attributable to fish production at sea. These costs accumulate over multiple periods (i.e., the entire life of the fish) and are recognized in the period when our fish is harvested and sold.

### Non-seawater costs in Farming

In Farming, non-seawater costs represent the cost of bringing the fish from seawater sites to primary processing facilities, primary processing costs, administration costs, exceptional mortality costs and other relevant costs for the fish harvested in the period. Non-seawater costs are generally incurred and expensed in the same period. As the majority of these costs are fixed, this category is subject to substantial scale effects based on the volumes of salmon harvested.

### Biological factors

Biological factors, such as fish mortality, fish diseases and sea lice affect our harvest volumes and therefore our revenue, but also our costs. We may be required to expend resources to mitigate the effects of the foregoing factors (e.g., costs of vaccines) and the cost per kg harvested increases if fish die or growth is impaired.

### Fish survival

Farmed salmon is exposed to various infectious and non-infectious diseases. An outbreak of a disease represents a cost for us through direct loss of fish. In addition, disease can result in lost growth of fish, accelerated harvesting and reduced quality of harvested fish, which would affect our revenues. In some cases, a disease outbreak may be followed by a subsequent period of reduced production resulting in lower revenues and increased cost per kg fish harvested. Fish survival rates are affected by a number of factors, including infectious and non-infectious diseases, wounds, predators and fish handling. We expense incident-based mortality in the period when incidents occur. The cost associated with normal mortality is included in the value of the remaining inventory, contributing to the increased cost of the fish when harvested and sold.

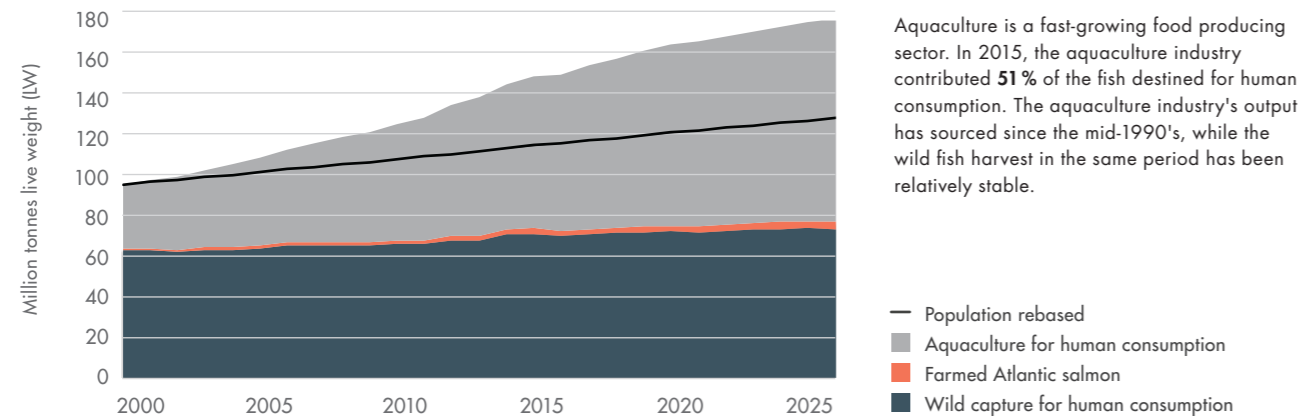
### Sea lice management

Sea lice, of which there are several species, are naturally occurring seawater parasites. They infect the salmon's skin and, if not controlled, they can cause lesions, secondary infections and mortality. Sea lice can be controlled through good husbandry and management practices, the use of pharmaceutical products, cleaner fish (wrasse and lumpsuckers that eat sea lice off the salmon's skin), other non-medicinal tools (e.g. skirts around pens), thermolizers, hydrolizers, FLS flushers and freshwater baths. Effective sea lice management is important for fish welfare and ensuring lice on our farms do not negatively impact wild salmonid stocks. Sea lice also represent a cost to the industry.



# Farmed raised Atlantic salmon analysis

## The aquaculture industry has shown steady growth since 1990



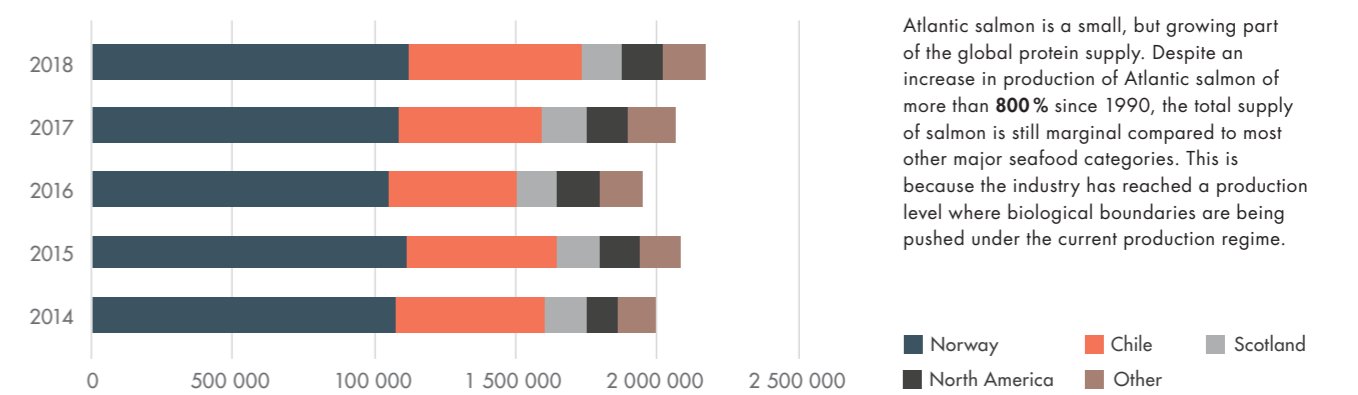
## Global suppliers of Atlantic salmon in 2018 in GWT



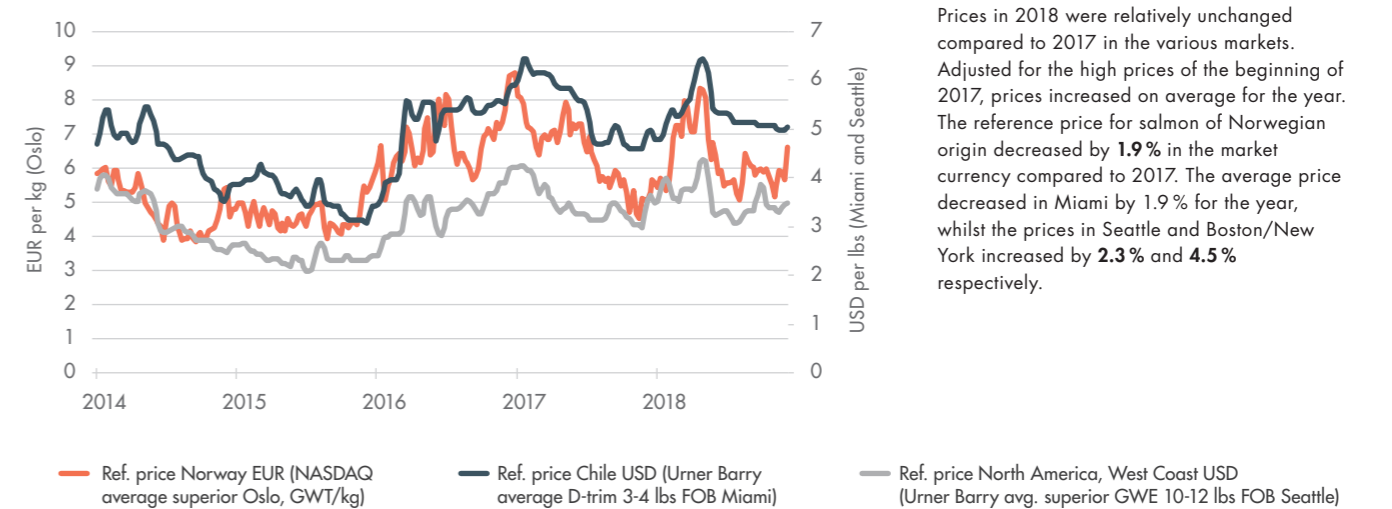
<b>North America</b>	<b>Faroe Islands</b>	<b>Scotland</b>	<b>Australia</b>
147 500	64 500	138 200	55 200
<b>Chile</b>	<b>Ireland</b>	<b>Norway</b>	<b>Other</b>
609 700	12 900	1 128 100	20 500

Due to biological constraints, seawater temperature requirements and other natural limitations, farmed salmon is mainly produced in Norway, Chile, Scotland, North America, Faroe Island, Ireland and New Zealand/Tasmania. Norway and Chile are the predominant salmon producing countries.

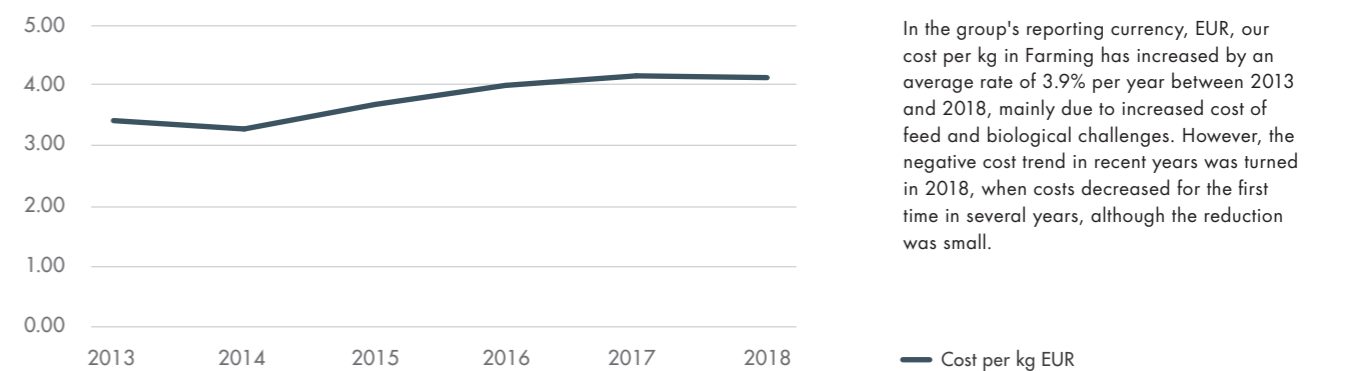
## Development in supply of Atlantic salmon in GWT



## Development in reference price



## Development in "cost in box" per kg



# Share and shareholder information

We aim to be open and transparent in our communications with the market in order to develop and retain investor confidence, and to deliver an attractive return to our shareholders.

## The history of our shares

Mowi AS was founded in Norway in 1964, changing names and owners several times before being acquired by Pan Fish ASA in 2006. Pan Fish AS was founded in 1992 and listed on the Oslo Stock Exchange in 1997. Pan Fish also acquired Fjord Seafood ASA in 2006, a company founded in 1996 as Torgnes Invest AS and listed on the Oslo Stock Exchange in 2000. Pan Fish ASA changed its name to Marine Harvest ASA in 2007 and to Mowi ASA in 2018.

Mowi ASA's shares are listed on the Oslo Stock Exchange under the ticker MOWI. On January 28, 2014 Mowi ASA listed and commenced trading of its American Depositary Shares (ADS), each representing one ordinary share, represented by American Depositary Receipts (ADR) on the New York Stock Exchange (NYSE). On February 14, 2017, the Board of Directors resolved to delist the Mowi's ADS and to terminate the registration of the ADSs due to the low trading volume

and the significant cost of maintaining the listing and registration. We will maintain the ADR program as a Sponsored Level I program and the ADSs are tradable over-the-counter.

As of year end 2018 we had 516 039 719 shares outstanding (490 167 777 shares) traded at NOK 182.7 (NOK 139.0), valuing our company at NOK 94.3 billion (68.1 billion). Please see charts at the end of this section for further information of our share performance over the last ten years. For additional information about our shares, please see Note 24 to the Group financial statements.

## Share capital

As of December 31, 2018, Mowi had 516 039 719 ordinary shares with a nominal value of NOK 7.50.



## Shareholders

As of December 31, 2018, we had 20 300 shareholders, with our 20 largest shareholders holding 50.79% of our shares. The majority of our shares are held in Norway, the US, Cyprus and Great Britain. The two main shareholders of Mowi are Geveran Trading Co Ltd and affiliates (15.4%) and Folketrygdfondet (7.9%). For additional information on share ownership, please see Note 24 to the Group financial statements. Our senior executives hold shares in the Company, please see Mowi ASA Note 14 Remuneration for further details.

As of December 31, 2018 Mowi ASA had 8 465 302 ADR's outstanding, representing 1.6% of total shares outstanding. In term of total volume of Mowi shares traded in Norway and in the US, the ADR's represented 2.1% of volumes in 2018.

## Payment of dividends

Our policy is to maintain a dividend level that reflects the present and future cash generation potential of Mowi. To this end, our target level for net interest-bearing debt is reviewed and updated on a regular basis. We are currently aiming for a net interest-bearing debt of EUR

1 400 million. When this target level is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.

Dividend declared and paid in 2018 was NOK 10.40 (12.40) per share as normal dividend. See charts at the end this section displaying dividend paid per share and total dividend paid for the last ten years.

## Communication - financial calendar

We expect to present our results in 2019 as follows:

- Annual General Meeting 2019 at May 29, 2019
- Presentation Q1 2019 at May 7, 2019
- Presentation Half-yearly Report (Q2) 2019 at August 21, 2019
- Presentation Q3 2019 at October 30, 2019

Our presentations will be webcast at 8:00 a.m. CET, and presentation material will be available on our website at 06:30 a.m. CET on the day of release. Please see our website for further details.

SHAREHOLDERS BY COUNTRY <sup>1)</sup>	Number of shares			Shareholding in %		
	2018	2017	2016	2018	2017	2016
Norway	119 445 827	105 386 026	136 467 610	23.1%	21.5%	30.3%
USA	96 624 147	92 834 507	84 552 477	18.7%	18.9%	18.8%
Cyprus	77 354 803	79 551 603	78 229 603	15.0%	16.2%	17.4%
Great Britain	79 769 809	76 441 590	47 332 989	15.5%	15.6%	10.5%
Other countries	142 845 133	135 954 051	103 502 973	27.7%	27.7%	23.0%
<b>Total number of shares</b>	<b>516 039 719</b>	<b>490 167 777</b>	<b>450 085 652</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1)</sup> Shareholder by country, based on actual ownership behind the nominee accounts.

SHARE OWNERSHIP (NUMBER OF SHARES)	NUMBER OF SHAREHOLDERS	OWNERSHIP IN %
1-100	7 949	0.1%
101-500	5 813	0.3%
501-1 000	2 210	0.3%
1 001-5 000	2 596	1.2%
5 001-10 000	488	0.7%
10 001-100 000	836	5.3%
100 001-1 000 000	326	20.1%
>1 000 000	82	72.1%
<b>Total</b>	<b>20 300</b>	<b>100.0%</b>

## Market capitalization and multiples

### Key figures

Enterprise Value ("EV") to capital employed indicates how the market values Mowi compared to the capital that has been invested in our assets. The value of a large portion of our assets (i.e. the majority of the our licenses and buildings) were assigned in 2006/2007. Since then these assets have multiplied in value, but as they are not subject to fair value adjustment, the recognised values have remained relatively unchanged. This explains the increasing difference between EV and capital employed.

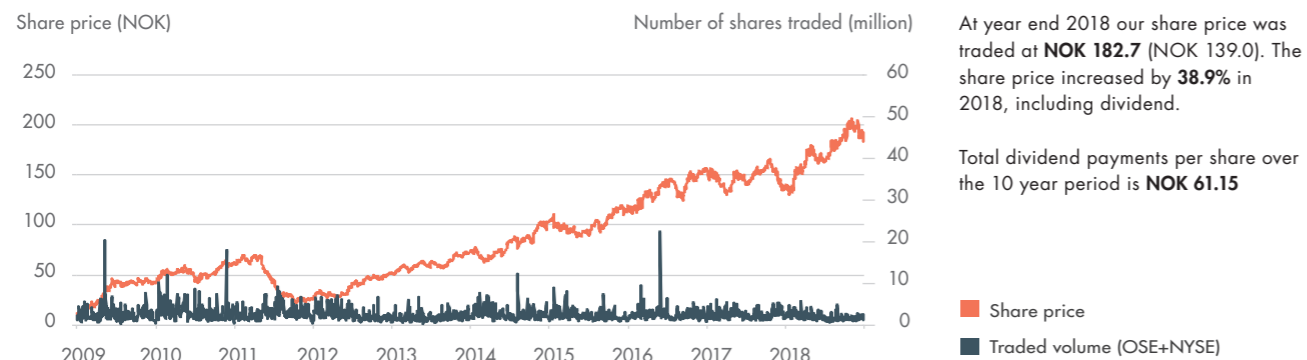
EV to EBIT or Operational EBIT measures the market valuation of Mowi compared to the past year's result. As EBIT includes the change in fair value of biological assets, market participants prefer using EV/Operational EBIT as

valuation metric. Looking back at the history 2012 was a challenging year for us with low earnings. In 2015 the results were mixed but the outlook was positive, which explains the fluctuation in the EV/OP EBIT ratio. The same analogy applies to the reported earnings versus underlying earnings. Underlying earnings excludes the fair value adjustment of biological assets, hence P/E (underlying) is a preferred valuation metric compared to P/E (basic).

Mowi has yielded an annualised total shareholder return in the past 10 year period of 37%. This compares to 13% of OSEBX and 20% of the Oslo Børs Seafood Index since its inception.

Market data	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalization (NOK million)	94 280	68 133	70 078	53 830	42 228	30 306	18 335	9 261	22 057	15 125
Number of shares outstanding (million)	516.0	490.2	450.1	450.1	410.4	410.4	358.1	358.1	357.5	357.5
Average number of shares traded per day (million)	1.9	2.5	2.5	2.2	2.6	1.8	2.4	2.8	3.0	2.5
Share price year-end	182.70	139.00	155.70	119.60	102.90	73.85	51.20	25.86	61.70	42.31
- High	206.20	166.00	157.10	119.60	103.50	73.85	52.10	69.95	64.40	46.48
- Low	130.00	129.60	110.90	87.75	63.10	50.20	26.12	21.90	42.31	10.50
Earnings per share (EUR) - basic	1.15	0.97	1.20	0.36	0.27	0.85	0.15	0.40	1.08	0.42
Underlying earnings per share (EUR)	1.11	1.23	1.13	0.52	0.84	0.68	0.08	0.63	0.73	0.35
Net cash flow per share (EUR)	0.51	0.74	1.23	(0.02)	0.80	-0.05	0.34	0.57	0.52	0.45
Dividend declared and paid per share (NOK)	10.40	12.40	8.60	5.20	8.30	2.25	0.00	8.00	6.00	0.00
Dividend yield (%)	5.7 %	8.9 %	5.5 %	4.3 %	8.1 %	3.0 %	0.0 %	30.9 %	9.7 %	0.0 %
Total shareholder return (%)	38.9 %	-2.8 %	37.4 %	21.3 %	50.6 %	48.6 %	98.0 %	-45.1 %	60.0 %	303.0 %
ROCE %	24.9 %	26.7 %	28.1 %	13.1 %	20.2 %	18.5 %	3.9 %	16.7 %	20.4 %	5.9 %
EV/Capital Employed	3.4	3.1	3.2	2.5	2.4	1.8	1.5	0.9	1.7	1.2
EV/EBIT	11.8	16.9	8.5	20.5	14.1	8.2	24.5	13.0	6.1	15.0
EV/Operational EBIT	14.5	10.3	12.0	20.4	12.1	11.9	36.9	5.8	8.5	13.3

### Share price and number of shares traded



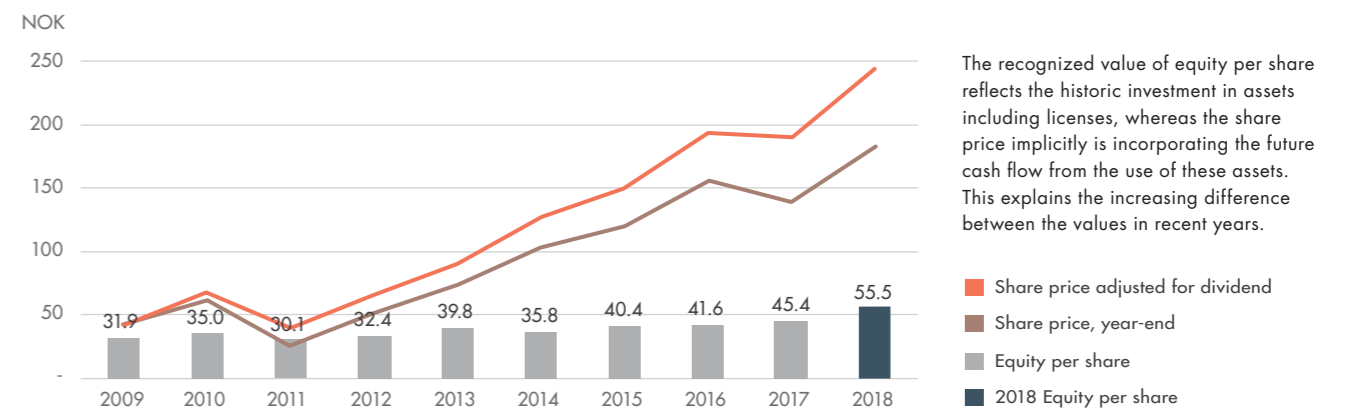
### Relative performance of our share (%)



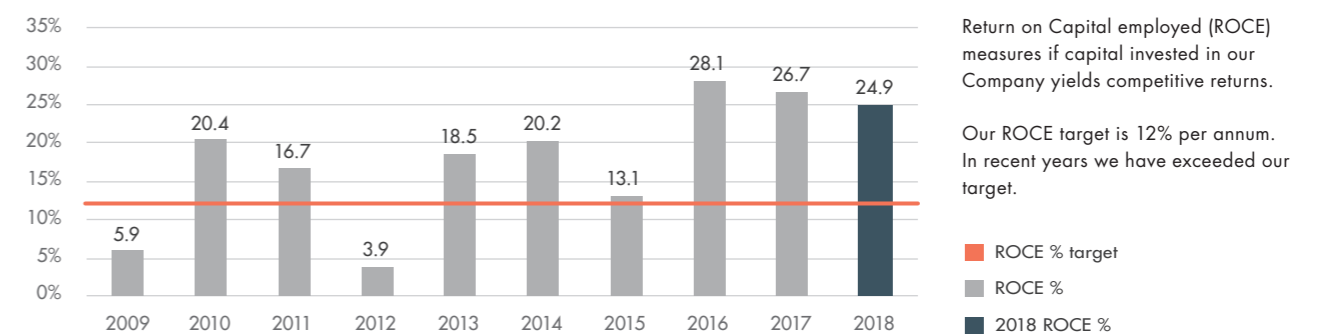
### Market capitalization



### Equity per share and share price

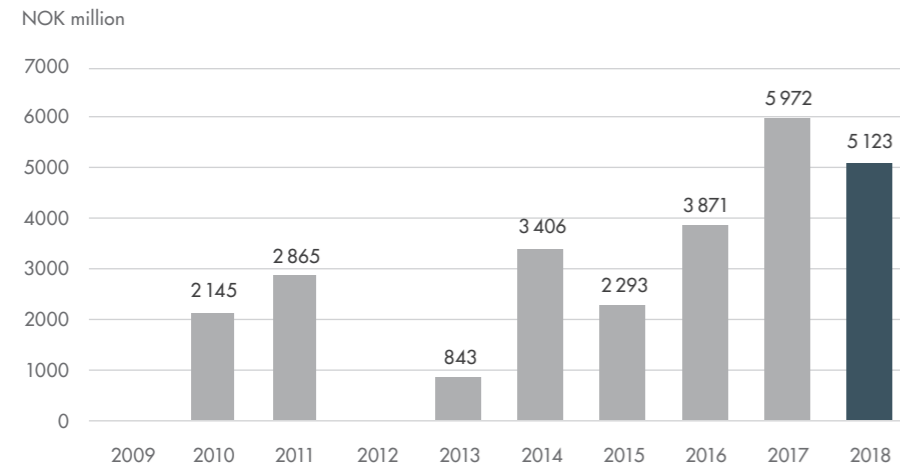


### Return on capital employed (%)



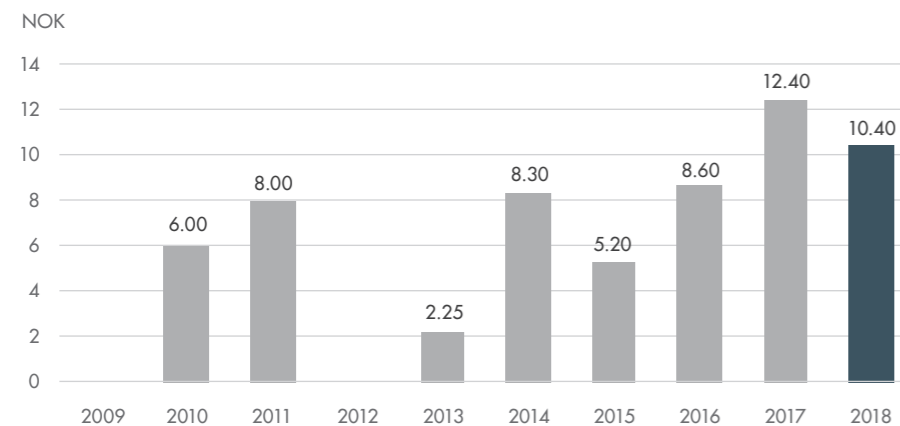
## Dividend and underlying earnings

### Total dividend paid



In 2018 we paid NOK 5 123 million (5 972 million) in dividend. Dividend is declared and paid quarterly based on the dividend policy, reflecting the present and future cash generation potential in the Company.

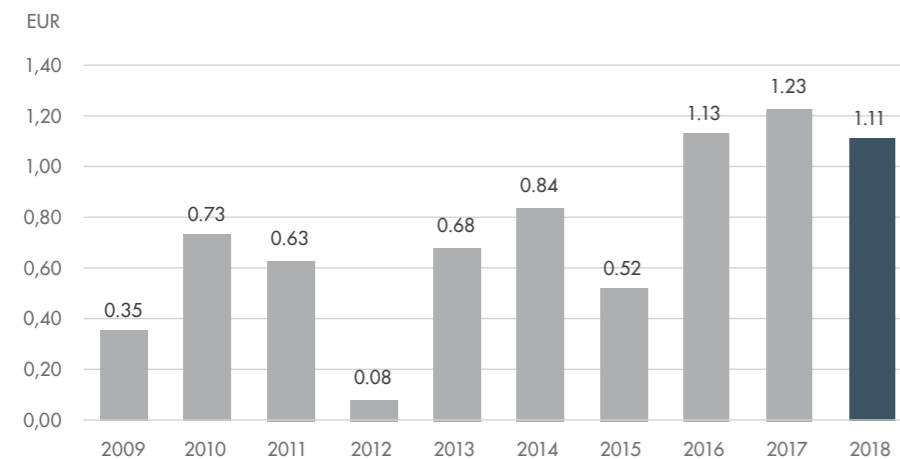
### Dividend paid per share



In 2018 we declared and paid NOK 10.40 (12.40) per share in ordinary dividend in 2018 and repayment of paid in capital in 2017.

Dividend is adjusted for the reverse share split, implemented January 21, 2014 (10 shares consolidated to 1). Total dividend paid is not adjusted for withholding taxes, but reflects cash paid.

### Underlying earnings per share



Underlying earnings per share reflects an estimate of underlying earnings, pre fair value adjustments of biomass, attributable to our equity holders.

In 2018 underlying earnings per share was EUR 1.11 (EUR 1.23).

## Alternative performance measures (APM) - Non-IFRS measures

### KEY PERFORMANCE INDICATORS AND ALTERNATIVE PERFORMANCE MEASURES (NON-IFRS MEASURES)

As we believe the financial figures set forth in our consolidated statement of income and financial position do not always reflect the underlying performance of our operations, we continuously work to develop key operational performance indicators and alternative performance measures (non-IFRS measures) that we think provide additional insight when analyzing our Group's development.

Our APM's present useful information which supplements the financial statements. These measures are not defined under IFRS and may not be directly comparable with APM's for other companies. The APM's represent important measures for how management monitors the company and its business activity. The APM's are not intended to be a substitute for, or superior to, any IFRS measures of performance.

Some of the financial information presented in our Annual report contains APM's. These include Operational EBIT, Operational EBITDA, Operational Revenues, NIBD, ROCE, Underlying EPS, Operational EBIT % (Margin) and Adjusted Equity Ratio. Below we define these APM's and reconcile them with IFRS measures.

### Operational EBIT and Operational EBIT per kg harvested

Operational EBIT is a non-IFRS financial measure, calculated by excluding each of the following items from earnings before financial items and taxes, or EBIT, as set forth in our consolidated statement of income prepared in accordance with IFRS:

- change in unrealized internal margin
- gain/loss from derivatives
- fair value adjustment on harvested fish
- fair value adjustment on incident based mortality
- fair value adjustment on biological assets
- provision for onerous contracts
- restructuring costs
- income/loss from associated companies
- impairment losses and write-downs
- other non-operational items (accrual for contingent liabilities and provisions)

We exclude these items from our EBIT as we believe they affect the comparability of our operational performance from period to period, given their non-operational or non-recurring nature. Operational EBIT is used by management, analysts, rating agencies and investors in assessing our performance. Accordingly, we believe that the



presentation of Operational EBIT provides useful information to investors. Our use of Operational EBIT should not be viewed as an alternative to EBIT or to profit or loss for the year, which are measures calculated in accordance with IFRS. Operational EBIT has limitations as an analytical tool in comparison to EBIT or other profit and loss measures prepared in accordance with IFRS. Some of these limitations are:

1. it does not reflect the impact of earnings or charges that we consider not to be indicative of our on-going operations,
2. it does not reflect financial items and income tax expense; and
3. other companies, including other companies in our industry, may calculate Operational EBIT differently than we do, limiting its usefulness as a comparative measure.

We present Operational EBIT at Group level, by country of origin and by segment. For a reconciliation of our Operational EBIT by segment to EBIT, see Note 4 to the Group financial statements.

### Operational EBIT % (Margin)

Operational EBIT % is a non-IFRS financial measure. We calculate Operational EBIT % by dividing Operational EBIT by Operational Revenue, each a non-IFRS financial measure. Management employs Operational EBIT % to assess operational performance of some of our segments, disregarding certain non-recurring and non-operational items, excluded from Operational EBIT and Operational Revenue. The usefulness of Operational EBIT % is inherently limited as further described in Operational EBIT and Operational Revenue paragraphs above. A table setting forth our calculation of Operational EBIT % is set forth below.

### Operational Revenue

Operational Revenue is a non-IFRS financial measure, calculated by including realized gain/loss from currency derivatives related to contract sales of Norwegian origin and excluding change in unrealized salmon derivatives from revenue and other income as set forth in our consolidated statement of comprehensive income prepared in accordance with IFRS. We exclude change in unrealized salmon derivatives from our revenue and other income as we believe it affects the comparability of our operational performance from period to period, given its non-operational nature. Our use of Operational Revenue should not be viewed as an alternative to revenue and other income, which is a measure calculated in accordance with IFRS. Operational Revenue has limitations as an analytical tool in comparison to revenue. Some of these limitations include the fact that changes in unrealized salmon derivatives may need to be cash settled at a future date. Our Operational Revenue is reconciled to revenue and other income in footnotes to our interim financial statements included in documents incorporated herein by reference.

### Net interest-bearing debt - NIBD

Our NIBD as of the end of a period (for purposes of calculating average NIBD) is equal to our non-current interest-bearing debt minus our total cash, plus our current interest-bearing debt, plus the net effect of currency derivatives on interest-bearing financial debt.

### Return on capital employed - ROCE

ROCE is a non-IFRS financial measure, calculated by dividing Adjusted EBIT by average capital employed. Adjusted EBIT is calculated as EBIT, as set forth in our consolidated statement of income prepared in accordance with IFRS, adjusted for:

- fair value uplift on harvested fish
- fair value adjustment on biological assets
- provision for onerous contracts
- other non-operational items (accrual for contingent liabilities and provisions)

Average capital employed is calculated as the average of the beginning of the period and end of the period capital employed except when there are material transactions during the year. Capital employed is the sum of net interest bearing debt, or NIBD, as of the end of the period plus equity as of the end of the period adjusted for:

- fair value adjustment on biological assets
- provision for onerous contracts
- net assets held for sale

We use ROCE to measure the return on capital employed, regardless of whether the financing is through equity or debt. In our view, this measure provides useful information for both management and our investors about our performance during periods under evaluation. We believe that the presentation of ROCE provides useful information to investors because ROCE can be used to determine whether capital invested in us yields competitive returns.

Our use of ROCE should not be viewed as an alternative to EBIT or to profit or loss for the year, which are measures calculated in accordance with IFRS or ratios based on these figures.

The usefulness of ROCE is also inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of our income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

### Underlying EPS

Underlying Earnings per Share, or Underlying EPS, is a non-IFRS financial measure. We calculate Underlying EPS by dividing Adjusted Operational EBIT, calculated as Operational EBIT net of accrued payable interest (net), minority share of profit and tax expense calculated based on estimated tax rates, divided by the weighted average number of shares outstanding during the period.

Management employs Underlying EPS to assess our operational performance, disregarding non-operational items like amortized interest, net currency effects and net other financial items with the exception of cash costs, and not reflecting permanent and temporary differences in the computation of taxes.

We view Underlying EPS as a useful tool reflecting our operational performance per ordinary share outstanding. The usefulness of

Underlying EPS is inherently limited. Some of these limitations are that Underlying EPS does not reflect the impact of earnings or charges that we consider not to be indicative of our on-going operations and Underlying EPS. A table setting forth our calculation of Underlying EPS is set forth below.

For further details about our financial performance, please see the Profit section and Statements and Notes.

### Adjusted Equity Ratio

Adjusted Equity Ratio is a non-IFRS financial measure. We calculate Adjusted Equity Ratio by excluding net fair value adjustment on biomass and onerous contracts provision (both net after tax) from equity, and net fair value adjustment on biomass (net after tax) from sum of equity and liabilities. We only use adjusted Equity in our quarterly reports.

## Reconciliations Operational EBIT

The following tables reconciles our Operational EBIT to EBIT in EUR million and EUR per kg for the Group and for our Farming units for the years ended December 31, 2018 and 2017 :

RECONCILIATION GROUP (EUR MILLION)	2018	2017
<b>Group Operational EBIT</b>	<b>752.8</b>	<b>792.1</b>
Change in unrealized internal margin	-5.9	5.7
Gain/loss from derivatives	4.4	-20.1
Net fair value adjustment biomass	146.4	-340.3
Onerous contracts provision	-6.1	119.8
Restructuring costs	0.3	-2.5
Income/loss from associated companies and joint ventures	45.5	33.7
Impairment losses	-11.0	-103.8
Other non-operational items	-1.0	0.3
<b>Group EBIT</b>	<b>925.4</b>	<b>484.9</b>

RECONCILIATION GROUP (EUR per kg)	2018	2017
<b>Group Operational EBIT</b>	<b>2.01</b>	<b>2.14</b>
Change in unrealized internal margin	-0.02	0.05
Change in unrealized salmon derivatives	0.01	-0.05
Net fair value adjustment biomass	0.39	-0.92
Onerous contracts provision	-0.02	0.32
Restructuring costs	—	-0.01
Income/loss from associated companies and joint ventures	0.12	0.09
Impairment losses	-0.03	-0.32
Other non-operational items	0.00	0.00
<b>Group EBIT</b>	<b>2.47</b>	<b>1.31</b>

RECONCILIATION NORWEGIAN ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Norwegian Origin</b>	<b>545.6</b>	<b>463.0</b>
Change in unrealized internal margin	-0.5	57.9
Net fair value adjustment biomass	90.2	-223.3
Onerous contracts provision	-1.4	93.6
Restructuring costs	0.7	-1.9
Income/loss from associated companies and joint ventures	45.7	34.2
Impairment losses	-0.5	-2.0
Other non-operational items	0.0	0.0
<b>EBIT—Salmon of Norwegian Origin</b>	<b>679.8</b>	<b>421.5</b>

RECONCILIATION NORWEGIAN ORIGIN (EUR per kg)	2018	2017
<b>Operational EBIT—Salmon of Norwegian Origin</b>	<b>2.37</b>	<b>2.20</b>
Change in unrealized internal margin	—	0.28
Net fair value adjustment biomass	0.39	-1.06
Onerous contracts provision	-0.01	0.45
Income/loss from associated companies and joint ventures	0.20	0.16
Impairment losses	0.00	-0.01
Other non-operational items	0.00	0.00
<b>EBIT—Salmon of Norwegian Origin</b>	<b>2.95</b>	<b>2.01</b>

RECONCILIATION SCOTTISH ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Scottish Origin</b>	<b>77.0</b>	<b>153.7</b>
Net fair value adjustment biomass	40.1	-92.8
Onerous contracts provision	-4.7	26.2
Restructuring costs	-0.9	0.6
Income/loss from associated companies and joint ventures	0.0	0.0
Other non-operational items	—	0.3
<b>EBIT—Salmon of Scottish Origin</b>	<b>111.0</b>	<b>87.9</b>

RECONCILIATION SCOTTISH ORIGIN (EUR per kg)	2018	2017
<b>Operational EBIT—Salmon of Scottish Origin</b>	<b>2.00</b>	<b>2.55</b>
Net fair value adjustment biomass	1.04	-1.54
Onerous contracts provision	-0.12	0.43
Restructuring costs	-0.02	0.01
Income/loss from associated companies and joint ventures	0.00	0.00
Other non-operational items	—	0.01
<b>EBIT—Salmon of Scottish Origin</b>	<b>2.89</b>	<b>1.46</b>

RECONCILIATION CANADIAN ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Canadian Origin</b>	<b>45.5</b>	<b>81.3</b>
Net fair value adjustment biomass	-0.3	-28.1
Restructuring costs	0.0	0.0
Impairment losses	0.0	-0.3
<b>EBIT—Salmon of Canadian Origin</b>	<b>45.2</b>	<b>52.8</b>

RECONCILIATION CHILEAN ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Chilean Origin</b>	<b>74.2</b>	<b>58.6</b>
Net fair value adjustment biomass	17.6	2.5
Restructuring costs	—	0.5
Impairment losses	-1.7	-100.7
Other non-operational items	-0.8	0.0
<b>EBIT—Salmon of Chilean Origin</b>	<b>89.3</b>	<b>-39.2</b>

RECONCILIATION CHILEAN ORIGIN (EUR per kg)	2018	2017
<b>Operational EBIT—Salmon of Chilean Origin</b>	<b>1.40</b>	<b>1.30</b>
Net fair value adjustment biomass	0.33	0.06
Restructuring costs	—	0.01
Impairment losses	-0.03	-2.24
Other non-operational items	-0.02	0.00
<b>EBIT—Salmon of Chilean Origin</b>	<b>1.68</b>	<b>-0.87</b>

RECONCILIATION IRISH ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Irish Origin</b>	<b>19.7</b>	<b>29.9</b>
Net fair value adjustment biomass	-3.4	1.0
<b>EBIT—Salmon of Irish Origin</b>	<b>16.3</b>	<b>30.9</b>

RECONCILIATION IRISH ORIGIN (EUR per kg)	2018	2017
<b>Operational EBIT—Salmon of Irish Origin</b>	<b>3.16</b>	<b>3.07</b>
Net fair value adjustment biomass	-0.55	0.10
<b>EBIT—Salmon of Irish Origin</b>	<b>2.62</b>	<b>3.17</b>

RECONCILIATION FAROESE ORIGIN (EUR MILLION)	2018	2017
<b>Operational EBIT—Salmon of Faroese Origin</b>	<b>13.7</b>	<b>18.9</b>
Net fair value adjustment biomass	1.5	-0.7
<b>EBIT—Salmon of Faroese Origin</b>	<b>15.3</b>	<b>18.2</b>

RECONCILIATION FAROESE ORIGIN (EUR per kg)	2018	2017
<b>Operational EBIT—Salmon of Faroese Origin</b>	<b>1.78</b>	<b>3.17</b>
Net fair value adjustment biomass	0.20	-0.12
<b>EBIT—Salmon of Faroese Origin</b>	<b>1.98</b>	<b>3.05</b>

## NIBD, ROCE

The following tables set forth our calculation of ROCE, requiring reconciliation of Adjusted EBIT to EBIT and NIBD to non-current interest-bearing debt, for the years ended December 31, 2018 and 2017:

<b>CALCULATION OF ROCE, RECONCILIATION OF ADJUSTED EBIT AND NET INTEREST BEARING DEBT</b> (EUR MILLION, EXCEPT ROCE)	<b>2018</b>	<b>2017</b>
Adjusted EBIT	786.1	705.4
Net fair value adjustment biomass	146.3	-340.3
Onerous contracts provision	-6.1	119.8
Other non-operational items	-1.0	-0.1
<b>EBIT</b>	<b>925.4</b>	<b>484.9</b>
Net interest-bearing debt (NIBD)	1 037.2	832.4
Cash	105.3	71.7
Current interest-bearing debt	-0.1	-130.3
Gain/loss financial instruments	0.0	-0.5
<b>Non-current interest-bearing debt</b>	<b>1 142.5</b>	<b>773.3</b>
NIBD	1 037.2	832.4
Assets held for sale	—	-0.5
Total equity	2 879.0	2 315.4
Fair value adjustment on biological assets	-459.1	-289.9
Onerous contracts provision	7.3	1.3
<b>Capital employed as of the end of the period</b>	<b>3 464.3</b>	<b>2 858.7</b>
Average capital employed <sup>1)</sup>	3 161.3	2 638.8
Adjusted EBIT	786.1	705.4
<b>ROCE</b>	<b>24.9%</b>	<b>26.7%</b>

<sup>1)</sup> Calculated as the average capital employed as of the beginning and the end of the period, except when there are material transactions during the year.

## Underlying EPS

The following table set forth our calculation of Underlying EPS for the year ended December 31, 2018, and 2017:

<b>UNDERLYING EARNINGS PER SHARE</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Operational EBIT</b>	<b>752.8</b>	<b>792.1</b>
Accrued payable interest (NET)	-36.2	-26.6
Calculated tax expense	-169.9	-182.4
Minority share of profit	-0.6	-0.3
<b>Operational EBIT adjusted for above items</b>	<b>546.2</b>	<b>582.9</b>
Shares outstanding (average)	493 912 153	475 528 080
<b>Underlying EPS (EUR Per share)</b>	<b>1.11</b>	<b>1.23</b>

## Operational EBIT % (Margin)

The following table set forth our calculation of Operational EBIT % for the Group and our segments for the year ended December 31, 2018 and 2017.

<b>GROUP OPEBIT %</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Group Operational EBIT</b>	<b>752.8</b>	<b>792.1</b>
Operational revenues	3 814.5	3 653.9
<b>Group Operational EBIT %</b>	<b>19.7%</b>	<b>21.7%</b>

<b>CONSUMER PRODUCTS OPEBIT %</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Operational EBIT - Consumer Products</b>	<b>88.0</b>	<b>75.9</b>
Operational revenues	2 149.9	1 917.1
<b>Operational EBIT % - Consumer Products</b>	<b>4.1%</b>	<b>4.0%</b>

<b>MARKETS OPEBIT %</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Operational EBIT - Markets</b>	<b>51.0</b>	<b>59.0</b>
Operational revenues	2 231.1	2 320.9
<b>Operational EBIT % - Markets</b>	<b>2.3%</b>	<b>2.5%</b>

<b>FARMING OPEBIT %</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Operational EBIT - Farming</b>	<b>625.2</b>	<b>660.5</b>
Operational revenues	2 294.1	2 314.6
<b>Operational EBIT % - Farming</b>	<b>27.3%</b>	<b>28.5%</b>

<b>FEED OPEBIT %</b> (EUR MILLION)	<b>2018</b>	<b>2017</b>
<b>Operational EBIT - Feed</b>	<b>9.6</b>	<b>8.5</b>
Operational revenues	419.3	353.8
<b>Operational EBIT % - Feed</b>	<b>2.3%</b>	<b>2.4%</b>

# Risk and risk management

Risk relates to uncertainty and the factors that may prevent us from generating the expected returns, reaching our goals and deliver on our strategy. Through our risk management processes we identify, quantify, and define actions to manage the risks we are facing. We split our defined risks into subcategories within our four guiding principles - Profit, Planet, Product and People to ensure that they are addressed by our most capable people within each area.

## Risk and how we work to manage it

Our ambition is to be a leading, integrated provider of proteins from the ocean. We aim to be a leader in all key areas from production of fish feed to meeting the needs of the market:

- Manufacturing high-quality salmon feed.
- Farming healthy and safe salmon for own value added processing and third-party whole fish sales.
- Processing and selling healthy, delicious and innovative value added seafood products.

“The Mowi Way”.

Through our materiality assessment we have identified areas of opportunity and risk that could influence our ability to achieve our goals and deliver on our strategy. Risk management is what we do to manage our risk in order to provide reasonable assurance to our stakeholders that we will achieve our goals. Different risk management frameworks are in use globally, the most widely used being the COSO <sup>2)</sup> enterprise risk framework, which divides risk into four categories:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

We consider our operational risk to cover several individually important subcategories, and have therefore chosen to divide our operational risks into the following sub categories:

- a. Risks related to the sale/supply of our products
- b. Risks related to governmental regulations
- c. Risks related to our fish farming operations
- d. Risks related to our supply of fish feed and feed operations
- e. Risks related to our industry
- f. Risks related to our business
- g. Risks related to our financial arrangements
- h. Risks related to tax and legal matters
- i. Risks related to climate change

All risk categories could, if not properly managed, have a material adverse effects on our business operations and financial results. Each risk category includes one or more identified risks factors that individually and/or in combination with others could significantly affect our performance. We are continuously working to mitigate identified risks and capitalize on opportunities by tracking and following up key performance indicators within the framework of our four guiding principles. We believe that our long-term success depends on our ability to manage the relevant risks associated with our operations, strategy, reporting and compliance.

An overview of our identified risk factors, along with our mitigation efforts and what we do to manage our risk, is outlined in the table below. For more detailed descriptions of the risks/ challenges and opportunities associated with our operations, please see the referenced sections in this Integrated Annual Report. We apply the precautionary approach to risk management through our materiality assessment. Mowi reports in accordance with the Global Reporting Initiative requirements. The appendix found on our website mowi.com provides the required additional disclosures including the GRI disclosure index.

2) Committee of Sponsoring Organizations

## RISK AND RISK MANAGEMENT

	RISK	SHORT DESCRIPTION	MITIGATION ACTION	REFERENCE
<b>1a Risks related to the sale and supply of our products</b>				
I	Our results depend on salmon prices	Our results are substantially dependent on salmon prices, and salmon prices are subject to large short and long-term fluctuations due to variations in supply and demand caused by factors such as smolt transfer, biological factors, quality, shifts in consumption and license changes. Short or long-term decreases in the price of farmed salmon may have a materially adverse effect on our financial figures	<ul style="list-style-type: none"> <li>- Sales contract policy to reduce exposure to fluctuations</li> <li>- Downstream integration to reduce dependence on spot whole-fish prices</li> <li>- Product innovation to grow overall salmon sales</li> <li>- Commitment to sustainable development of the industry and information exchange with authorities to ensure a sustainable operational framework for steady growth</li> </ul>	<ul style="list-style-type: none"> <li>- Profit</li> <li>- Note 13 Group</li> <li>- Leading the Blue Revolution</li> <li>- Product</li> <li>- Planet</li> <li>- R&amp;D</li> <li>- Analytical information</li> </ul>
II	A reduction in the price of salmon may trigger substantial reduction in the value of our biological assets	A reduction in the price of salmon may trigger substantial reduction in the value of our biological assets, as the price of salmon is a significant factor in the valuation of these assets	<ul style="list-style-type: none"> <li>- Ref Salmon prices above</li> </ul>	<ul style="list-style-type: none"> <li>- Ref Salmon prices above</li> <li>- Note 6 Group</li> </ul>
III	We may be unable to effectively hedge our exposure to short- and medium-term fluctuations in salmon prices	We seek to manage our exposure to short and medium-term fluctuations in salmon reference prices through sales contracts and Fish Pool financial futures, as well as through our secondary processing activities. An inability to effectively hedge our exposure to short and medium term fluctuations in salmon prices may have a materially adverse effect on our financial figures.	<ul style="list-style-type: none"> <li>- Sales contract policy to reduce exposure to fluctuations</li> <li>- Downstream integration to reduce dependence on spot whole-fish prices</li> </ul>	<ul style="list-style-type: none"> <li>- Profit</li> <li>- Note 13 Group</li> <li>- Analytical information</li> <li>- Leading the Blue Revolution</li> </ul>
IV	Market demand for our products may decrease	Increased competition, consolidation and overcapacity may lead to reductions in the price of competing products that could curtail demand for our products. This may have a materially adverse effect on our financial figures.	<ul style="list-style-type: none"> <li>- Focus on health benefits of salmon consumption</li> <li>- Continuous effort to find sustainable, more affordable raw materials for feed production and focus on best operational practices to reduce operational costs</li> <li>- Branding strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Product</li> <li>- Planet</li> <li>- R&amp;D</li> </ul>
V	Changes in consumer preferences/lack of product innovation may have an adverse effect on our business	Our continued success will depend in part on our ability to anticipate, identify and respond quickly to changing consumer preferences for fish, especially secondary processed seafood. If we are unable to do so, this may have a materially adverse effect on our financial figures	<ul style="list-style-type: none"> <li>- Focus on health benefits of salmon consumption</li> <li>- Product innovation to grow overall salmon sales</li> <li>- Continue to strengthen our market and new product development</li> </ul>	<ul style="list-style-type: none"> <li>- Product</li> <li>- R&amp;D</li> </ul>
VI	Disruptions to our supply chain may impair our ability to bring our products to market	We source and transport our salmon over long distances. As most of our products are perishable and can be stored only for a limited time, disruptions to our supply chain due to weather, earthquakes, natural disaster, fire or explosion, terrorism, pandemics, strikes, government action, environmental incidents or other matters beyond our control could impair our ability to bring our products to the market (timely or at all).	<ul style="list-style-type: none"> <li>- Emergency plans to mitigate consequences</li> <li>- Global footprint for farming and processing enabling cross-production</li> <li>- Branding strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Analytical information</li> </ul>
VII	Natural disasters, catastrophes, fire or other unexpected events could cause significant losses of operational capacity.	Our facilities could be materially damaged by natural disasters, and we could incur uninsured losses and liabilities arising from such events, including damage to our reputation and/or suffer material losses in operational capacity.	<ul style="list-style-type: none"> <li>- Risk-based insurance coverage</li> <li>- Emergency plans to mitigate consequences</li> <li>- Strict standards for construction of operating units</li> <li>- Global footprint for farming and processing enabling cross-production</li> </ul>	<ul style="list-style-type: none"> <li>- Analytical information</li> </ul>
<b>1b Risks related to governmental regulations</b>				
I	Governmental regulations affect our business	The fish farming and processing industries are subject to local, regional and national government regulations relating to the farming, processing, packaging, storage, distribution, advertising, labeling, quality and safety of food products. Our operations are also subject to extensive and increasingly stringent regulations administered by environmental agencies in the jurisdictions in which we operate.	<ul style="list-style-type: none"> <li>- Continuous dialog with the authorities in the countries in which we operate to secure a sustainable operational framework</li> <li>- Active participation, alone or through joint industry groups, in consultative processes for new or updated regulatory frameworks</li> <li>- Rigorous testing to ensure that our products are safe and healthy</li> <li>- Third-party certification</li> </ul>	<ul style="list-style-type: none"> <li>- Leading the Blue Revolution</li> <li>- R&amp;D</li> <li>- Product</li> </ul>



II	Trade restrictions could have a negative impact on price in some countries	Trade restrictions resulting in suboptimal distribution of salmon may be intensified, creating a negative impact on price in some countries. Many of our production sites are located outside our principal markets, leaving us exposed to trade restrictions. The effects of trade restrictions may have a significant negative impact on our ability to sell in certain regions or our ability to charge competitive prices for our products in such regions.	<ul style="list-style-type: none"> <li>- <i>Dialog with authorities to ensure access to markets globally</i></li> <li>- <i>Sales contract policy to reduce exposure to fluctuations</i></li> <li>- <i>Global farming and processing footprint to mitigate the effects of trade restrictions with regional reach</i></li> <li>- <i>Promotion of health benefits of salmon</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Leading the Blue Revolution</i></li> <li>- <i>Profit</i></li> <li>- <i>Note 13 Group</i></li> <li>- <i>Analytical information</i></li> </ul>
IV	We may face restrictions with regard to operating sites located close to protected or highly sensitive areas.	Some of our sites are located close to or within sensitive areas with respect to biodiversity. The effect of salmon farming on the environment and biodiversity is being intensively discussed and new regulations in this area could result in the closure of sites or require the implementation of costly measures. In addition, new regulations could result in restrictions to certain additives used in fish feed and in medication becoming prohibited at these sites if they are believed to have an adverse impact on the environment. Compliance with such laws, rules and regulations, or a breach of them, may have a materially adverse effect on our business and financial figures.	<ul style="list-style-type: none"> <li>- <i>Continuous dialog with the authorities in the countries in which we operate to document that biodiversity is not adversely affected by our operations</i></li> <li>- <i>Cooperation agreement with WWF</i></li> <li>- <i>Norway for mutual exchange of ideas and information</i></li> <li>- <i>Environmental testing and documentation to ensure that our operations do not leave a lasting footprint</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Leading the Blue Revolution</i></li> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> <li>- <i>BoD report</i></li> </ul>
V	Our fish farming operations are dependent on fish farming licenses	In the jurisdictions in which we operate, we are required to obtain licenses in order to farm fish. We have obtained and currently hold such licenses for our operations. Governments may, however, change the way licenses are distributed, or otherwise dilute or invalidate our licenses. If we are unable to maintain existing or obtain new fish farming licenses, or if a new licensing regulation dilutes the value of our licenses, this may have a materially adverse effect on our business.	<ul style="list-style-type: none"> <li>- <i>Continuous dialog with the authorities in the countries in which we operate to discuss our and their role in securing the sustainable development of the industry</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Dear shareholders</i></li> <li>- <i>Leading the Blue Revolution</i></li> <li>- <i>R&amp;D</i></li> <li>- <i>Note 9 Group</i></li> </ul>
VI	Antitrust and competition regulations may restrict further growth in some of the jurisdictions in which we operate	Our business and operations are subject to regulation by antitrust or competition authorities, particularly due to our significant market shares in the jurisdictions in which we operate. The risks of infringing competition laws and regulations are higher in markets in which we hold a leading position. In an acquisition setting, we may be forced to divest certain parts of the acquisition, which may have a materially adverse effect on our business and financial figures.	<ul style="list-style-type: none"> <li>- <i>Continuous dialog with the authorities in the countries in which we operate to discuss the potential benefits of industry consolidation from a sustainability point of view</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Dear shareholders</i></li> <li>- <i>Leading the Blue Revolution</i></li> </ul>
VII	We could be adversely affected by violations of the acceptable anti-corruption laws.	Applicable anti-corruption laws, including the US Foreign Corrupt Practices Act and the UK Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments, and require companies to keep accurate books and records as well as appropriate internal controls. We operate in some parts of the world that have experienced governmental corruption, and if we were found liable for violations of anti-corruption laws, we may incur civil and criminal penalties which could have a materially adverse effect on our business, financial figures and reputation.	<ul style="list-style-type: none"> <li>- <i>Code of Conduct</i></li> <li>- <i>Leadership Principles</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Leading the Blue Revolution</i></li> <li>- <i>People</i></li> <li>- <i>Corporate governance</i></li> </ul>
<b>1c Risks related to our fish farming operations</b>				
I	Fish are adversely affected by sea lice, and we may incur significant costs and be exposed to regulatory actions if the challenge is not addressed.	The authorities in all countries with an aquaculture industry have set limits for the acceptable number of sea lice per fish. A failure to control sea lice levels may result in an increased number of treatments, compromised fish welfare, higher costs and the possibility of regulatory actions.	<ul style="list-style-type: none"> <li>- <i>Implementation of our sea lice strategy.</i></li> <li>- <i>Continuous R&amp;D efforts on most effective lice strategy, as well as new tools to control sea lice in a sustainable manner</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> </ul>
II	We may be exposed to criticism and regulatory actions arising from our farming of and use of wild caught cleaner fish for sea lice control.	Our sea lice control strategy is primarily based on using non-medical tools and includes the use of cleaner fish. Cleaner fish are predominantly caught from the wild. However, due to regulations which have limited the availability of cleaner fish and seasonal variations, we have begun cleaner fish farming. Catch, farming and use of cleaner fish have raised concerns with regards to protection of wild stocks, husbandry practices, fish welfare and survival. Therefore, the use of cleaner fish could result in negative publicity, reputational harm and possibly regulatory actions.	<ul style="list-style-type: none"> <li>- <i>R&amp;D in key areas including fish health, fish nutrition and husbandry</i></li> <li>- <i>Good farming practices (identification and implementation of best practices during farming of cleaner fish, as well as at the salmon farms)</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> </ul>
III	Our fish stocks, operations and reputation can be adversely affected by various diseases	Our fish are affected by diseases caused by viruses, bacteria and parasites which may have an adverse effect on fish survival, health, growth and welfare and result in reduced harvest weight and volume, downgrading of products, claims from customers and increased costs. Continued disease problems may also attract negative media attention and public concerns.	<ul style="list-style-type: none"> <li>- <i>Disease registration and tracking of reasons for reduced survival to monitor development and prioritize R&amp;D</i></li> <li>- <i>Applying best farming practices for disease control</i></li> <li>- <i>R&amp;D efforts within disease management and control, including more knowledge of best farming practices, vaccine testing and use, breeding program which includes selection of best genetics related to fish robustness and resistance to diseases</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> </ul>

IV	Our stock may be infected with Kudoa thyrsites, causing soft flesh	Our salmon has, at times, been infected by the parasite Kudoa thyrsites, or Kudoa, commonly called "soft flesh" syndrome. Kudoa is more common in British Columbia, Canada, although there have also been sporadic cases in Ireland. Kudoa may be difficult to detect during harvesting and processing, as the effect materializes in flesh quality post mortem and takes some time to develop. Even though most of the Kudoa-affected fish can be detected before the product reaches the customer, it must be substantially downgraded or discarded, leading to a reduction in its commercial value.	<ul style="list-style-type: none"> <li>- <i>Continue to follow the Kudoa mitigation plan, which focuses on stocking only fish above one kg in areas with a high prevalence of Kudoa (R&amp;D has shown lower susceptibility after one kg)</i></li> <li>- <i>Continuous R&amp;D effort to better understand and eradicate the Kudoa challenge</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Product</i></li> </ul>
V	Our fish stocks can be depleted by environmental factors such as plankton, low oxygen levels and fluctuating seawater temperatures.	Our salmon farming operations are subject to a number of environmental risks which may impact profitability and cash flows through adverse effects on growth, harvest weight, harvest volume, mortality, downgrading and claims.	<ul style="list-style-type: none"> <li>- <i>Continuous R&amp;D effort to manage the challenges including the use of skirts around the pens and continuous oxygen monitoring systems at the bottom of the pens</i></li> <li>- <i>Plankton (including algae) surveillance systems</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Planet</i></li> </ul>
VI	Our fish stocks are subject to risks associated with fish escapes and predation	Salmon escapes are most commonly caused by human error, severe weather and structural issues at our farming sites. In addition to affecting our salmon count, escaped farmed salmon may impact wild salmonid stocks by genetic interaction and the risk of transferring disease. This may result in negative publicity and penalties or other sanctions from governmental authorities. Our salmon is also subject to predation by other animals which can affect our salmon count and adversely impact our results of operations.	<ul style="list-style-type: none"> <li>- <i>Escape prevention and mitigation plans</i></li> <li>- <i>Tracking of all escape incidents and investigation for cause of incident for information sharing and learning</i></li> <li>- <i>Applying best practices for escape prevention</i></li> <li>- <i>Continuous R&amp;D effort to test farming equipment for severe weather conditions</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> <li>- <i>BoD report</i></li> </ul>
VII	Intensive production may result in physical deformities, leading to downgrading and/or losses of biomass as well as to reputational harm.	Intensified production may push the boundaries for how fast fish can grow, and cause production-related disorders relating to physical deformities and cataracts. High water temperatures of more than 14 degrees Celsius early in the freshwater stage, water quality and diet composition may all be contributing factors. Deformities and cataracts may lead to financial losses and damage to the industry and our reputation.	<ul style="list-style-type: none"> <li>- <i>R&amp;D - feed research trials to document that the diets used in commercial salmon farming are not compromising fish health and welfare</i></li> <li>- <i>R&amp;D salmon growth trials to develop best farming practices for growth</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> </ul>
VIII	Our fish stocks might be exposed to contaminants, leading to product recalls, product liability, negative publicity and governmental sanctions.	Farmed salmon may be exposed to contamination by undesirable substances through raw materials and ingredients in the fish feed, polluted waters, poor processing hygiene and cross-contamination during handling. Contamination may affect food safety, fish health and the environment, and reduce the public confidence in eating salmon.	<ul style="list-style-type: none"> <li>- <i>Vigorous product testing to document that our products are safe</i></li> <li>- <i>Requirements to suppliers and certification of raw materials used in our fish feed</i></li> <li>- <i>Testing of raw materials and feed used in our farming operations</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Planet</i></li> <li>- <i>Product</i></li> </ul>
IX	Our fish may be exposed to pollutants from open seas resulting in mortality and poor end-product quality	Fish farming is conducted using open net pen systems located in marine environments. Operations are therefore exposed to pollution from the open sea, including potential oil leaks or spills. Oil products floating into a farm will severely affect the fish's normal oxygen uptake, reduce fish survival and leave an unpleasant taste on surviving fish, making it inedible.	<ul style="list-style-type: none"> <li>- <i>Testing of end-products to document that they are safe and of high quality</i></li> <li>- <i>Locating farms in areas with clean waters and a low risk of pollution</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Product</i></li> </ul>
X	Inclement weather could hurt our stocks negatively affect our operations and damage our facilities	Unusually warm or cold temperatures, altered oxygen levels in the sea resulting from annual variations, as well as extreme weather in the regions where we operate could cause impairment of the health and growth of our fish or result in fish escapes, loss of biomass, lost feeding days, repair costs, damage to infrastructure, etc.	<ul style="list-style-type: none"> <li>- <i>Ref Fish Escapes above</i></li> <li>- <i>New technology</i></li> <li>- <i>Evaluation of environmental conditions and use of equipment fit for the conditions in the area</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Ref Fish Escapes above</i></li> <li>- <i>R&amp;D</i></li> </ul>
XI	Our operations are exposed to risks related to biological events or natural phenomena for which insurance coverage is expensive, limited and potentially inadequate.	Our business operations are subject to a number of adverse biological risks, including risks relating to sea lice, fish mortality, disease, predation and other biological risks. There will always be a risk that certain biological events or natural phenomena may occur for which no or only partial insurance coverage is payable.	<ul style="list-style-type: none"> <li>- <i>Ref Sea lice above</i></li> <li>- <i>Ref Disease above</i></li> <li>- <i>Risk-based insurance coverage</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Ref Sea lice above</i></li> <li>- <i>Ref Disease above</i></li> </ul>
<b>1d Risks related to our supply of fish feed and our feed operations</b>				
I	Reduced availability of the main ingredients used in fish feed production could result in higher costs for fish feed.	Fish feed is a main cost driver approximately 40-50% of our "cost in box". Global inventories, currency fluctuations and sea-water temperatures all affect the supply of feed ingredients. Fish oil and fish meal are produced using wild caught fish such as anchovies. The extensive use of fish oil combined with a growing fish farming industry presents a sustainability challenge for the industry. Other key ingredients such as canola oil, soy bean protein and wheat are subject to unpredictable price changes caused by supply and demand fluctuations, weather, size of harvest, transportation and storage cost, global policies, etc.	<ul style="list-style-type: none"> <li>- <i>Continuously working in-house and with feed suppliers to ensure that the feed recipes are altered based on relative prices to secure the lowest possible cost without compromising fish health</i></li> <li>- <i>Efforts to test and document feeds with lower levels of marine ingredients without compromising fish health/performance</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>R&amp;D</i></li> <li>- <i>Profit</i></li> <li>- <i>Planet</i></li> <li>- <i>Analytical information</i></li> </ul>

II	Termination of one or more of our feed contracts at short notice could result in material additional costs.	We still depend on third-party feed suppliers. The fish feed industry is dominated by three large, global suppliers, which normally adapt their production volumes to prevailing supply commitments. If one or more of our feed contracts were terminated at short notice prior to their respective expiration dates, we may be forced to find alternative suppliers at short notice, incurring additional costs.	<ul style="list-style-type: none"> <li>– Long-term supply contracts with termination clauses</li> <li>– Own feed production</li> </ul>	– Leading the Blue Revolution
III	Production issues in our own feed operations could cause us to incur material additional costs.	If our feed operation were to encounter production challenges, including those related to contaminated fish feed/feed ingredients, labor stoppages, disruptions in the supply chain and environmental and regulatory issues, we may be forced to find alternative suppliers in the market at short notice, incurring additional costs and potential disruptions to our farming operations. We could also be liable for losses incurred by third party feed customers.	<ul style="list-style-type: none"> <li>– Certification of raw materials used</li> <li>– Testing of feed ingredients</li> <li>– Employee HSE surveys</li> <li>– Use of numerous suppliers of feed ingredients</li> </ul>	– Planet – People
IV	A reduction in the quality of our fish feed could have a materially adverse effect on our production	Fish feed is essential to our fish production, as its quality affects the quality and volume of our harvests. Our feed conversion rate may increase due to lower quality or a suboptimal mix of ingredients used.	<ul style="list-style-type: none"> <li>– Testing to document that our feed is of high quality, contributing to good growth and favorable feed conversion rates</li> </ul>	– R&D – Planet
V	Inferior or contaminated fish feed could result in product liability or other serious adverse consequences for us	Harmful substances may be found in feed ingredients, and although we have implemented risk analysis and screening protocols to prevent the contamination of our feed, undetected contamination could cause severe damage to the salmon, potentially causing health issues for consumers and resulting in liability claims.	<ul style="list-style-type: none"> <li>– Certification of raw materials used</li> <li>– Testing of feed ingredients</li> <li>– Testing of end products</li> <li>– Risk analysis and screening protocols</li> </ul>	– R&D – Planet – Product

#### 1e Risks related to our industry

I	Our facilities may be the target of sabotage by environmental organizations.	Some environmental organizations have the eradication of salmon farming as one of their stated aims. A risk of sabotage can therefore not be ruled out.	<ul style="list-style-type: none"> <li>– Stakeholder dialog for the exchange of information and ideas</li> </ul>	– Leading the Blue Revolution
II	The farmed-salmon industry may be subject to negative media coverage.	Farmed salmon has in some instances been subject to criticism from various research communities and NGOs, which may affect consumer attitudes towards farmed salmon. Such negative consumer attitudes may result in a lower demand for our products.	<ul style="list-style-type: none"> <li>– Stakeholder dialog for the exchange of information and ideas</li> <li>– Documentation of our farming practices and third-party certification</li> </ul>	– Leading the Blue Revolution – Planet – Product

#### 1f Risks related to our business

I	We derive nearly all our revenues from sales of Atlantic salmon and are heavily dependent on the market for Atlantic salmon.	Our business consists primarily of raising and selling Atlantic salmon, and we expect this to continue for the foreseeable future. Accordingly, our business is heavily dependent on the market for Atlantic salmon.	<ul style="list-style-type: none"> <li>– Ref Market demand for our products above</li> <li>– Ref Change in consumer preferences above</li> </ul>	– Ref Market demand for our products above – Ref Change in consumer preferences above
II	We rely heavily on the services of key personnel	We depend substantially on the leadership of a small number of executive officers and other key employees. The loss of the services provided by these individuals could have a materially adverse effect on our business. We may also find it difficult to attract the necessary employee resources in the remote areas in which we operate.	<ul style="list-style-type: none"> <li>– Roll out our leadership principles and continue to build a winning culture that supports employee development and attracts new employees</li> <li>– Remuneration of key management personnel</li> </ul>	– Leading the Blue Revolution – People – Note 14 Group – Note 15 ASA
III	We are subject to risks associated with our international operations and our expansion into emerging markets.	Our global operational footprint means we are subject to various risks and uncertainties relating to our international operations. These include the imposition of trade protection measures, corruption, the impact of exchange rate fluctuations, political, social and economic conditions, compliance with domestic and international laws, different regulatory structures, differing tax regimes and distribution. Negative consequences in these regards could limit our ability to transact business in current or future markets.	<ul style="list-style-type: none"> <li>– Identification of risk and risk mitigating actions prior to entering new markets</li> <li>– Risk mapping on a continuous basis</li> </ul>	– Risk an Risk Management
IV	Political instability may have a material adverse effect on our business, results of operation and financial condition.	Political instability has in the past, and may in the future, adversely affect our operational results. The Russian ban on imports of salmon products from certain countries and the Chinese restrictions on imports of Norwegian salmon are recent examples in this regard.	<ul style="list-style-type: none"> <li>– Global farming, processing and supply footprint expanding the opportunities if political actions target a specific place of origin only</li> </ul>	– Analytical information
V	We depend on the availability of and good relations with our employees	Our operations depend on the availability, retention and relative cost of labor, and on maintaining satisfactory relations with employees and labor unions. Labor relation issues may arise from time to time, which could result in strikes or other labor disputes.	<ul style="list-style-type: none"> <li>– Roll out our leadership principles and continue to build a winning culture that supports employee development and attracts new employees</li> <li>– Fair compensation</li> </ul>	– Leading the Blue Revolution – People

VI	We depend on a small number of contractors for key industry supplies, such as fish feed and well boats	We depend on major industry suppliers of well boats and fish feed. We currently hire most of our well boats, and we purchase a significant share of our fish feed from third parties. There is a limited number of key suppliers of these items to our industry, and failure to maintain good business relationships with these suppliers may have a significantly adverse effect on us.	<ul style="list-style-type: none"> <li>– Commitment to expand own feed production</li> <li>– Established associated company DESS Aquaculture Shipping</li> <li>– Stakeholder dialog</li> </ul>	– Leading the Blue Revolution
VII	Some steps of the production process are outside our control.	We purchase seafood from third parties as an input factor in some of our secondary processing activities. We do not control the production process for the seafood we purchase, and it may contain foreign elements that are harmful or prohibited under the laws of the countries in which we distribute the product. Furthermore, substantial sales of generic and private label products mean that we do not always control the brand under which our products are sold. This may have a negative impact on our reputation in addition to making it difficult for us to build brand loyalty.	<ul style="list-style-type: none"> <li>– Brand building to differentiate our products</li> <li>– Product testing</li> <li>– Supplier commitment to our code of conduct</li> </ul>	– Product – People
VIII	We are subject to risks related to IT and cyber security.	We are dependent on IT systems in all parts of our business, and are as such exposed to risks related to IT and cyber security. In the information security chain, humans are often the weakest link.	<ul style="list-style-type: none"> <li>– Training of personnel</li> <li>– Use of expert advisers in complex matters</li> <li>– Monitoring and testing of IT systems, including third party testing</li> </ul>	– People

#### 1g Risks related to our financing arrangements

I	If we are unable to access capital, we may be unable to grow or implement our strategy as designed.	Feed production, salmon farming and seafood processing are capital intensive industries. Our future development and growth may depend on access to external capital in the form of debt and/ or equity capital. A lack of access to such capital, or material changes in the terms and conditions of our external financing could limit our future growth and strategy.	<ul style="list-style-type: none"> <li>– Ref all actions to safeguard profit and reduce/manage costs</li> <li>– Ref Salmon price, market demand, sea lice, disease, Kudoa above</li> </ul>	– Ref salmon price, market demand, sea lice, disease, kudoa, contractors for key industry supplies above – Note 13 Group – BoD report
II	We are highly leveraged and subject to restrictions in our financing agreements that impose constraints on our operating and financing flexibility.	We have substantial debts outstanding. We may need to refinance some or all of our borrowings, and may not be able to do so at attractive terms or at all. We may incur additional debt in the future, subject to limitations under our credit facilities and bond terms.	<ul style="list-style-type: none"> <li>– Ref all actions to safeguard profit and reduce/manage costs</li> <li>– Ref salmon price, market demand, sea lice, disease, Kudoa above</li> <li>– Using a portfolio of financing options to reduce dependence on our syndicated credit facility</li> </ul>	– Ref salmon price, market demand, sea lice, disease, kudoa, contractors for key industry supplies above – Note 11 Group – Note 13 Group – BoD report
III	Fluctuations in the value of the derivatives used to hedge our exposure to salmon prices may adversely impact our operating results	Our business is exposed to fluctuating salmon prices, and we use contracts and derivative financial instruments to reduce such exposure. The use of derivative financial instruments reduces our exposure to changes in prices, but may also limit our ability to benefit from favorable trends in salmon prices, while our contracts can adversely affect our profitability when spot prices are rising.	<ul style="list-style-type: none"> <li>– Ref salmon price above</li> </ul>	– Ref salmon price above – Note 13 Group – BoD report
IV	Fluctuations in foreign exchange rates may adversely impact our operating results.	We are exposed to changes in foreign exchange rates as a part of our business operations. Although we seek to hedge our exposure to currency risk, such hedging arrangements may not be effective, which may ultimately have a materially adverse effect on our business and financial figures.	<ul style="list-style-type: none"> <li>– Converted the holding company and the Norwegian Markets unit into EUR-denominated companies from January 1, 2016. Converted the Norwegian Farming company and Feed company into EUR-denominated companies from January 1, 2018. The overall aim is to better match financing and reporting currency</li> <li>– Foreign Exchange Strategy</li> <li>– Hedging Policy</li> </ul>	– Note 13 Group – BoD report
V	We are subject to fluctuations in interest rates due to the prevalence of floating interest rates in our debt.	We are partly financed at floating interest rates, and our hedges against interest rate fluctuations in the main currencies related to our interest-bearing debt may be ineffective in protecting us from the effects of interest rate increases.	<ul style="list-style-type: none"> <li>– Hedging policy - interest rate swaps</li> </ul>	– Note 13 Group – BoD report
VI	If our customers fail to fulfill their contractual obligations we may suffer losses.	We are exposed to the risk of losses if one or more contractual partners do not meet their obligations. We cannot guarantee that we will be able to recover losses from trade receivables from credit insurance companies or that our credit evaluations of trading partners will be effective.	<ul style="list-style-type: none"> <li>– Insurance policy</li> <li>– Credit ratings of all customers</li> <li>– Close follow up of customers</li> </ul>	– Note 13 Group – BoD report

1h Risks related to tax and legal matters			
I	We are exposed to potentially adverse changes in the tax regimes of the jurisdictions in which we operate.	Significant changes in the tax regimes in the countries in which we operate may have a materially adverse effect on our financial figures.	<ul style="list-style-type: none"> <li>- Tax optimization within the laws of the countries in which we operate</li> <li>- Note 15 Group</li> </ul>
II	We may become involved in legal disputes	We may from time to time become involved in legal disputes. We could be involved in criminal or civil proceedings relating to product liability, environmental, food safety, competition or anti-bribery regulations, and other types of dispute which may have a materially adverse effect.	<ul style="list-style-type: none"> <li>- Contract negotiations</li> <li>- Use of expert advisers in complex matters</li> <li>- Note 27 Group</li> </ul>
1i Risks related to climate change			
I	The tangible effect of climate change have the potential to damage fish farming facilities, disrupt production activities and could cause us to incur significant costs	Climate change could affect the severity of weather, sea levels and temperatures, and the availability of the raw materials for our fish feeds. If any such effects were to occur, they may have a materially adverse effect on our business and financial figures.	<ul style="list-style-type: none"> <li>- Doing our part: endorsing global sustainability issues and addressing climate change</li> <li>- Testing of alternative raw materials in feed</li> <li>- R&amp;D</li> <li>- Planet</li> </ul>
II	Climate change rules and regulations could increase the costs of operating our facilities or transporting our products.	Climate change and its link to the emission of greenhouse gases is receiving more and more attention. Certain countries and regions have adopted, or are considering, legislation or regulations imposing overall caps or taxes on greenhouse gas emissions, or mandating the increased use of electricity from renewable energy sources. These actions could increase our operating costs.	<ul style="list-style-type: none"> <li>- Doing our part: endorsing global sustainability issues and addressing climate change</li> <li>- Dear shareholders</li> <li>- Planet</li> </ul>
2 Risks related to our strategy - acquisitions and expansions			
I	The expected benefits of our expansion on the Canadian East Coast is subject to risks and uncertainties	We expect benefits from our acquisition of Northern Harvest and the Grey Aqua assets on the East Coast of Canada. Whether we will actually realize these anticipated benefits depends on future events and circumstances, some of which are beyond our control. Also the potential synergies we currently anticipate may not be realized.	<ul style="list-style-type: none"> <li>- Build on Group wide know how and skills and existing customer relations to sell our products</li> <li>- Leading the Blue Revolution</li> </ul>
II	The construction and potential benefits of our new fish feed facility is subject to risks and uncertainties	Our ability to complete construction work on a timely basis and within budget is subject to a number of risks, including our ability to construct the plant as planned and start commercial feed production. As the capacity of the plant is higher than our own current needs, we also depend on third party deliveries to fully utilize the plant.	<ul style="list-style-type: none"> <li>- Utilize key staff from the planning and construction of the feed plant in Norway in 2012-2014</li> <li>- Utilize local expertise with regard to working with authorities</li> <li>- Leading the Blue Revolution</li> </ul>
III	The construction and potential benefits of our fresh water expansion projects are subject to risks and uncertainties.	The expected benefits are higher quality and larger smolt, produced in a controlled environment and at a lower cost. The anticipated benefits may not be achieved or if achieved, may not be achieved in the expected time frame.	<ul style="list-style-type: none"> <li>- Build on group wide know how and skills in the construction and production processes.</li> <li>- Leading the Blue Revolution</li> </ul>
IV	We would be adversely affected if we expanded our business through acquisitions or greenfield projects but failed to successfully integrate them or run them efficiently or retain the associated fish farming licenses.	We regularly evaluate expansion opportunities, such as acquiring other businesses, or building new processing plants and expanding our fish farming operations, or expanding into new related areas of operations. Significant expansion involves risks, and if we are unable to integrate acquired businesses or newly formed operations, expansion may have a materially adverse effect on our business and financial figures.	<ul style="list-style-type: none"> <li>- Draw on internal key resources</li> <li>- Recruitment of experienced staff</li> <li>- Use of expert advisers in complex matters</li> <li>- People</li> </ul>
3 Risks related to reporting			
I	A failure to run an effective risk assessment process and update our internal control system accordingly, could imply that there is a risk of material mistakes in our financial figures.	As of December 31, 2018 we consider our internal control system to be effective, but there can be no assurance that, going forward, our efforts will effectively prevent material misstatements in our consolidated statements. If we are unable to maintain effective internal control, this could have a materially adverse effect on our business.	<ul style="list-style-type: none"> <li>- Global risk and risk management focus</li> <li>- BoD report</li> <li>- Corporate Governance</li> </ul>
4 Risks related to other legal matters			
I	Developments related to antitrust investigations could have a materially adverse effect.	We are subject to a variety of laws and regulations that govern our business, including those relating to competition (anti-trust). If we are found to have violated the competition laws in a jurisdiction, we may be fined, which could have a materially adverse effect on our financial figures	<ul style="list-style-type: none"> <li>- Use of expert advisers in complex matters</li> <li>- Note 27 Group</li> </ul>

II	Failure to ensure food safety and compliance with food safety standards could result in serious adverse consequences for us.	The food industry in general experiences high levels of customer awareness with respect to food safety and product quality, information and traceability. We may fail to meet new and exacting customer requirements, which could reduce demand for our products.	<ul style="list-style-type: none"> <li>- Applying best practices related to food safety at all stages of the production chain</li> <li>- Vigorous product testing to document that our products are safe</li> <li>- Third-party certification with respect to best practices in hygiene and food safety</li> <li>- R&amp;D</li> <li>- Product</li> </ul>
III	Any failure to comply with laws and regulations in the countries in which we operate could result in serious adverse consequences for us.	Our global operational footprint makes us subject to various risks and uncertainties relating to our international operations, including compliance with domestic and international laws. Any failure to comply with the laws and regulations in the countries in which we operate could result in fines, withdrawal of operating rights and other serious adverse consequences for us.	<ul style="list-style-type: none"> <li>- Use of expert advisers in complex matters</li> <li>- Recruitment of highly skilled employees</li> <li>- Code of Conduct</li> <li>- People</li> </ul>



# GRI Index

**Profit**

Ivan Vindheim,  
Chief Financial Officer

**Planet and Product**

Øyvind Oaland,  
Global Director R&D

**People**

Anne Lorgen Riise,  
Group Director HR

Mowi uses the GRI Standards for voluntary reporting of sustainable development. The guidelines comprise economic, environmental and social dimensions relating to an enterprise's activities, products and services. GRI collaborates with the United Nations Environment Program and UN Global Compact. Mowi has reported according to GRI since 2010.

We believe that our reporting practice is consistent with GRI's reporting principles in all material respects.

The report is externally assured by our auditor EY. The external assurance, as outlined in the Independent Auditor's Assurance report, concludes that the report is presented, in all material respects in accordance with the GRI Standards.

The GRI index, including the full definition of each indicator and references to specific sections in this report as well as additional information, can be found

on our website Mowi.com and the index is also presented in this integrated annual report.

GRI Standards, both general and specific, are comprised of requirements. The general standard applies to all reporting organisations depending on the chosen 'in accordance' level. The specific standard is selected with regard to the materiality principle. In order to report 'in accordance' with the core requirements Mowi has answered each of the requirements for the required standards. Only in exceptional cases, if certain required information has not been possible to disclose, accepted reasons for omission have been applied.

The Index is a reference to the disclosed information and gives an overview over the omissions and the reasons why omissions are applied.

Any page reference in the index refers to Mowi's Annual Report.



## GENERAL STANDARD DISCLOSURES

Disclosure No.	Disclosure description	Mowi Response / Source	Assured by third party
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name of the organisation	MOWI ASA	Yes
102-2	Activities, brands, products, and services	Part 1 and Part 2 (segment overview). MOWI avoids selling products to countries or business partners that are prohibited by international sanctions	Yes
102-3	Location of headquarters	Sandviksboder 77AB, 50 35 Bergen, Norway: Part 3, Note 1 General Information	Yes
102-4	Location of operations	Part 1, Map of Operations & Part 3 Note 4 Business segments	Yes
102-5	Ownership and legal form	Part 3, Corporate Governance and Note 27 Share and Shareholder information in Group Financial Statements	Yes
102-6	Markets served	Part 2, Profit & Product	Yes
102-7	Scale of the organisation	Part 1, Map of Operations and key figures, Part 2, Profit & Product	Yes
102-8	Information on employees and other workers	Part 2, People	Yes
102-9	Supply chain	Part 1, Leading the Blue Revolution, Part 2, People, Part 4 Analytical information and Part 2 Product	Yes
102-10	Significant changes to the organisation and its supply chain	Part 1, Dear Shareholder & Leading the Blue Revolution	Yes
102-11	Precautionary Principle or approach	Part 1, Dear Shareholder & Leading the Blue Revolution	Yes
102-12	External initiatives	Part 2, Planet & Part 4 Risk and Risk Management	Yes
102-13	Membership of associations	Part 1, Leading the Blue Revolution, Part 2, People	
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	Part 1, Dear Shareholder (CEO), Part 3, Board Report.	Yes
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, and norms of behavior	Part 1, Long term value drivers, Part 2 Achievement on ambitions	Yes
<b>GOVERNANCE</b>			
102-18	Governance structure	Part 1, Leading the Blue Revolution. Part 2, People	Yes
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder Groups	Part 1, Leading the Blue Revolution. Part 2, People	Yes
102-41	Collective bargaining agreements	Part 2, People	Yes
102-42	Identifying and selecting stakeholders	Part 1, Leading the Blue Revolution and Part 3, Corporate Governance	Yes
102-43	Approach to stakeholder engagement	Part 1, Leading the Blue Revolution and Part 3, Corporate Governance	Yes
102-44	Key topics and concerns raised	Part 1, Leading the Blue Revolution	
<b>REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	Part 3, Group Results note 1 & 23. Mowi includes all subsidiaries in the accounts and the same principle is used for extra-financial reporting and sustainability reporting. However, Northern Harvest which was acquired in July 2018 is not fully included in sustainability figures yet.	Yes
102-46	Defining report content and topic boundaries	This index, Part 1 Leading the Blue Revolution (Mowi most material value drivers)	Yes
102-47	List of material topics	This index, Part 1 Leading the Blue Revolution (Mowi most material value drivers)	Yes

Disclosure No.	Disclosure description	Mowi Response / Source	Assured by third party
102-48	Restatements of information	No significant restatements of information	Yes
102-49	Changes in reporting	No significant changes in Reporting	Yes
102-50	Reporting period	01.01.2018-31.12.2018	Yes
102-51	Date of most recent report	March 27 2019	Yes
102-52	Reporting cycle	Annual/Yearly	Yes
102-53	Contact point for questions regarding the report	Head of Sustainability Reporting	Yes
102-54	Claims of reporting in accordance with the GRI standards	GRI standards core	Yes
102-55	GRI content index	This index	Yes
102-56	External Assurance	Integrated Annual Report, GRI Reporting, GSI Reporting and CDP reporting are all audited by our external auditor EY	

SPECIFIC STANDARD DISCLOSURES

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
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Mowi Material topic: Climate friendly food production

GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 1, Dear shareholder Material long term value drivers	No			Yes
103-2	The management approach and its components	Part 1, Dear shareholder Material long term value drivers	No			Yes
103-3	Evaluation of the management approach	Part 1, Material long term value drivers: Part 2, Achievement on ambitions	No			Yes

GRI 201: ECONOMIC PERFORMANCE

201-2	Financial implications and other risks and opportunities due to climate change	Partial disclosure - Part 2, Planet, The Global Picture (CDP report) and Risks related to climate change in Part 4, Risk and Risk Management	yes	Not applicable	Financial implications and other risks and opportunities due to climate change are reported in our CDP report and our Risk and Risk Management in Part 4 includes climate change	Yes
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Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
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GRI 302- ENERGY

302-1	Energy consumption within the organisation	Part 2, Planet, The Global Picture - Climate Friendly Food production	yes - omission for GRI 301-b Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used	Information not readily available	Mowi aims to improve this reporting	Yes
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GRI 305- EMISSIONS

305-1	Direct (Scope 1) GHG emissions	Part 2, Planet, The Global Picture - Climate Friendly Food Production & Salmon: The Climate Friendly Protein	No			Yes
305-2	Energy indirect (Scope 2) GHG emissions (location based)	Part 2, Planet, The Global Picture - Climate Friendly Food Production & Salmon: The Climate Friendly Protein	No			Yes
305-3	Other indirect (Scope 3) GHG emissions	Partial disclosure (scope 3 for Mowi Feed), Part 2, Planet, The Global Picture - Climate Friendly Food Production	Yes	Information unavailable	For 2018 scope 3 emissions are reported in connection to sourcing feed raw materials for Mowi Feed. In 2019 Mowi will work towards mapping and estimating the remaining scope 3 emissions along our value chain.	Yes
Mowi own disclosure	No. and percentage of sites ASC certified	In 2019 Mowi will work towards mapping and estimating the remaining scope 3 emissions along our value chain.	No			Yes

Mowi Material topic: Fish escape prevention

GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Escape Prevention	No			Yes
103-2	The management approach and its components	Part 2, Planet, Escape Prevention	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Escape Prevention	No			Yes
Mowi own disclosure	Number of salmon escaped and not recaptured	Part 2, Planet, Escape Prevention	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
<b>Mowi Material topic: Fish welfare, health and robustness</b>						
<b>GRI Management approach</b>						
103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Fish Health and Welfare	No			Yes
103-2	The management approach and its components	Part 2, Planet, Fish Health and Welfare	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Fish Health and Welfare	No			Yes
Mowi own disclosure	Main causes of mortality	Part 2, Planet, Fish Health and Welfare	No			Yes
Mowi own disclosure	% survival in sea	Part 2, Planet, Fish Health and Welfare	No			Yes

**Mowi Material topic: Sea lice management**

<b>GRI MANAGEMENT APPROACH</b>						
103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Sea Lice Management	No			Yes
103-2	The management approach and its components	Part 2, Planet, Sea Lice Management	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Sea Lice Management	No			Yes
Mowi own disclosure	Sites above national action limits	Part 2, Planet, Sea Lice Management	No			Yes

**Mowi Material topic: Responsible use of medicines and chemicals**

<b>GRI MANAGEMENT APPROACH</b>						
103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Medicine Use	No			Yes
103-2	The management approach and its components	Part 2, Planet, Medicine Use	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Medicine Use	No			Yes
Mowi own disclosure	% sites using cleaner fish	Part 2, Planet, Sea Lice Management	No			
Mowi own disclosure	% treated fish using non-medicinal tools	Part 2, Planet, Sea Lice Management	No			
Mowi own disclosure	% reduction in total medicine use	Part 2, Planet, Sea Lice Management	No			
Mowi own disclosure	Antibiotic use - active substance use per tonne biomass produced	Part 2, Planet, Medicine Use	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
<b>Mowi Material topic: Responsible and circular nutrient and waste management</b>						
<b>GRI MANAGEMENT APPROACH</b>						
103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Biodiversity	No			Yes
103-2	The management approach and its components	Part 2, Planet, Biodiversity	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Biodiversity	No			Yes
Mowi own disclosure	% of sites operating within nationally acceptable benthic levels	Part 2, Planet, Biodiversity	No			Yes

**Mowi Material topic: Wildlife interactions**

<b>GRI MANAGEMENT APPROACH</b>						
103-1	Explanation of the material topic and its Boundary	Part 2, Planet, Biodiversity	No			Yes
103-2	The management approach and its components	Part 2, Planet, Biodiversity	No			Yes
103-3	Evaluation of the management approach	Part 2, Planet, Biodiversity	No			Yes

**GRI 304- BIODIVERSITY**

304-1	Biodiversity area impacts	Part 2, Planet, Biodiversity	No		Reporting on GRI 304-1 a.-v. Size of operational site in km2 is not applicable for aquaculture industry according to GRI	Yes
304-2	Description of biodiversity impacts	Part 2, Planet, Biodiversity	No		Reporting on GRI 304-2b. Significant direct and indirect positive and negative impacts was reported on according to Mowi's Materiality assessment	Yes

**Mowi Material topic: Efficient and sustainable fish feed**

<b>GRI MANAGEMENT APPROACH</b>						
103-1	Explanation of the material topic and its Boundary	Planet, Part 2, Sustainable Feed	No			Yes
103-2	The management approach and its components	Planet, Part 2, Sustainable Feed	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
103-3	Evaluation of the management approach	Planet, Part 2, Sustainable Feed	No			Yes
Mowi own disclosure	Fish-in fish-out ratio (FIFO)	Planet, Part 2, Sustainable Feed	No			Yes
Mowi own disclosure	Source of feed raw materials (% origin)	Planet, Part 2, Sustainable Feed	No			Yes
Mowi own disclosure	% certified feed raw materials (fish and soy)	Planet, Part 2, Sustainable Feed	No			Yes
Mowi own disclosure	Fish meal inclusion in % per tonne feed used	Planet, Part 2, Sustainable Feed	No			Yes
Mowi own disclosure	Fish oil inclusion in % per tonne feed used	Planet, Part 2, Sustainable Feed	No			Yes

### Mowi Material topic: Ensure food safety and quality

#### GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 2, Product, Safe Seafood	No			Yes
103-2	The management approach and its components	Part 2, Product, Safe Seafood	No			Yes
103-3	Evaluation of the management approach	Part 2, Product, Safe Seafood	No			Yes

#### GRI 416- CUSTOMER HEALTH & SAFETY

416-1	Products assessed for risks to customer health & safety	Part 2, Product, Safe Seafood	No			Yes
Mowi own disclosure	Level of dioxins and dioxin-like PCBs (pg-WHO-TEQ/g)	Part 2, Product, Data section	No			Yes
Mowi own disclosure	Level of mercury (mg/kg)	Part 2, Product, Data section	No			Yes

### Mowi Material topic: Healthy seafood

#### GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 2, Product, Healthy Seafood	No			Yes
103-2	The management approach and its components	Part 2, Product, Healthy Seafood	No			Yes
103-3	Evaluation of the management approach	Part 2, Product, Healthy Seafood	No			Yes
Mowi own disclosure	Omega 3 levels in harvested fish and other nutrient levels	Part 2, Product, Data section	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
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### Mowi Material topic: Ethical business conduct

#### GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 2, People, Ethical Business Conduct	No			Yes
103-2	The management approach and its components	Part 2, People, Ethical Business Conduct	No			Yes
103-3	Evaluation of the management approach	Part 2, People, Ethical Business Conduct	No			Yes

#### GRI 205: ANTI-CORRUPTION

205-1	Operations assessed for risks related to corruption	Part 4, Risk & Risk Management	No			Yes
205-3	Confirmed incidents of corruption and actions taken	Part 3, Corporate Governance	No			Yes

#### GRI 205: ANTI-COMPETITIVE BEHAVIOR

206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Part 3, Group Results	No			Yes
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#### GRI 307: ENVIRONMENTAL COMPLIANCE

307-1	Non-compliance with environmental laws and regulations	Part 2, People, Ethical Business Conduct	No			Yes
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#### GRI 419: SOCIOECONOMIC COMPLIANCE

419-1	Non-compliance with laws and regulations in the social and economic area	Part 2, People, Ethical Business Conduct	No			Yes
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### Mowi Material topic: Ensure employee safety and security

#### GRI MANAGEMENT APPROACH

103-1	Explanation of the material topic and its Boundary	Part 2, People, Employee Health and Safety	No			Yes
103-2	The management approach and its components	Part 2, People, Employee Health and Safety	No			Yes
103-3	Evaluation of the management approach	Part 2, People, Employee Health and Safety	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</b>						
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Part 2, People, Employee Health and Safety	yes - omission on 403-2 a. - does not report ODR and LDR. Injury rate and absentee rates are not broken down by region and gender. 403-2b Injury rate and work-related fatalities for workers (excluding employees) whose/workplace is controlled by the organization is not reported	Information not available	Will from 2019 report on the new 2018-indicators that are material to Mowi	Yes

**Mowi Material topic: Purpose driven organisation**

**GRI MANAGEMENT APPROACH**

103-1	Explanation of the material topic and its Boundary	Part 1, Leading the Blue Revolution, Part 2, People, Providing safe and meaningful jobs.	No			Yes
103-2	The management approach and its components	Part 1, Leading the Blue Revolution, Part 2, People, Providing safe and meaningful jobs.	No			Yes
103-3	Evaluation of the management approach	Part 1, Leading the Blue Revolution, Part 2, People, Providing safe and meaningful jobs.	No			Yes

**GRI 201: ECONOMIC PERFORMANCE**

201-3	Coverage of the organisation's defined benefit plan obligations	Part 1, Leading the Blue Revolution: Part 2, Profit : Part 3, Financial statement, notes, analytical information	No			
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**GRI 406: NON-DISCRIMINATION**

406-1	Incidents of discrimination and corrective actions taken	Part 2, People, Ethical Business Conduct	No			Yes
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**Mowi Material topic: Respectful use of local areas**

**GRI MANAGEMENT APPROACH**

103-1	Explanation of the material topic and its Boundary	Part 2, People, Commitment to local Communities	No			Yes
103-2	The management approach and its components	Part 2, People, Commitment to local Communities	No			Yes

Disclosure No.	Disclosure description	Reference	Omission	Reason for omission	Explanation of omission	Assured by third party
103-3	Evaluation of the management approach	Part 2, People, Commitment to local Communities	No			Yes

**Mowi Material topic: Local jobs and value creation**

**GRI MANAGEMENT APPROACH**

103-1	Explanation of the material topic and its Boundary	Part 2, People, Commitment to local Communities, Morpol - Best Employer in region & Local Talent in Canada	No			Yes
103-2	The management approach and its components	Part 2, People, Commitment to local Communities, Morpol - Best Employer in region & Local Talent in Canada	No			Yes
103-3	Evaluation of the management approach	Part 2, People, Commitment to local Communities, Morpol - Best Employer in region & Local Talent in Canada	No			Yes

**GRI 203: INDIRECT ECONOMIC IMPACTS**

203-1	Infrastructure investments and services supported	Part 2, People, Commitment to local Communities	No			Yes
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