To: Jon Hindar (CEO, Cermaq): jon.hindar@cermaq.com

Subject: Non-Disclosure of Disease Data

Date: 19 May 2013

Cc: Cermaq's Board of Directors: cermaq@cermaq.com
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In advance of Tuesday's AGM, could you please provide details of Cermaq's current disease risks?

Why have you not notified shareholders including the Norwegian Government and Marine Harvest, financial investors, the news media and the Oslo Stock Exchange of the disease risks in British Columbia in particular? Surely the disclosure of disease risks and notification of information is subject of the disclosure requirements pursuant to section 5-12 of the

Norwegian Securities Trading Act?

Cermaq's 'Integrated Annual & Sustainability Report 2012' published last month (but dated March 2013) includes:

cermaq

Integrated Annual and Sustainability Report 2012

Board of Directors' report 2012

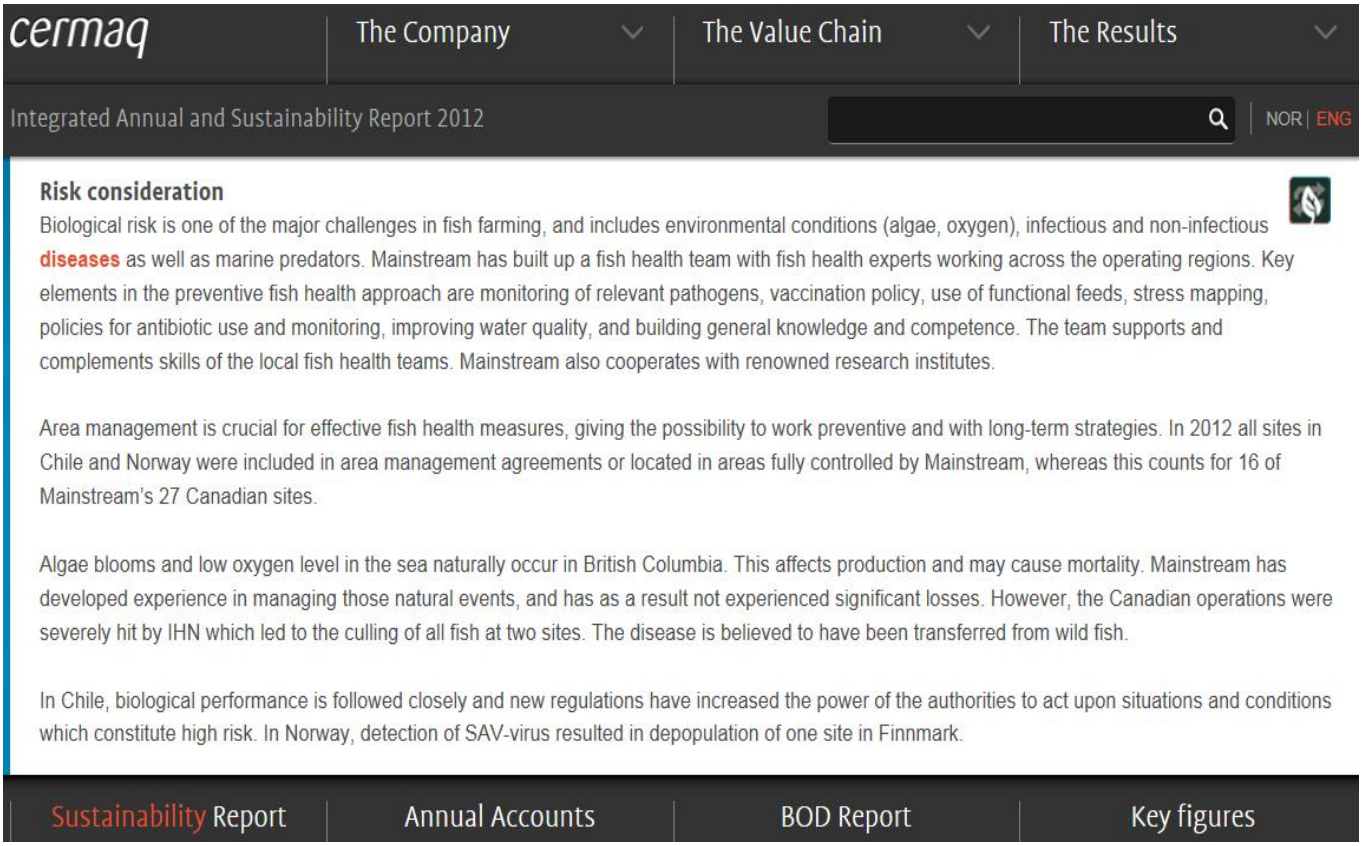
Risk and risk management

Biological risk is, together with market risk, one of the largest challenges to salmon farming and includes infectious and non-infectious diseases, environmental conditions as well as parasites and predators. Good fish health is essential to reduce the risk exposure and Mainstream has built up a global fish health team focusing on implementing preventive measures across the operating regions in areas such as monitoring of pathogens, implementing policies for use of vaccines, antibiotics, functional feeds and for lice treatment, neighbor area management and so on. The board is being kept up-to-date on a quarterly basis of the general fish health situation in all areas where we operate and for each company in the Group, with particular emphasis on Chile. The risk is continually assessed in connection with decisions for stocking of smolts and with future investments.

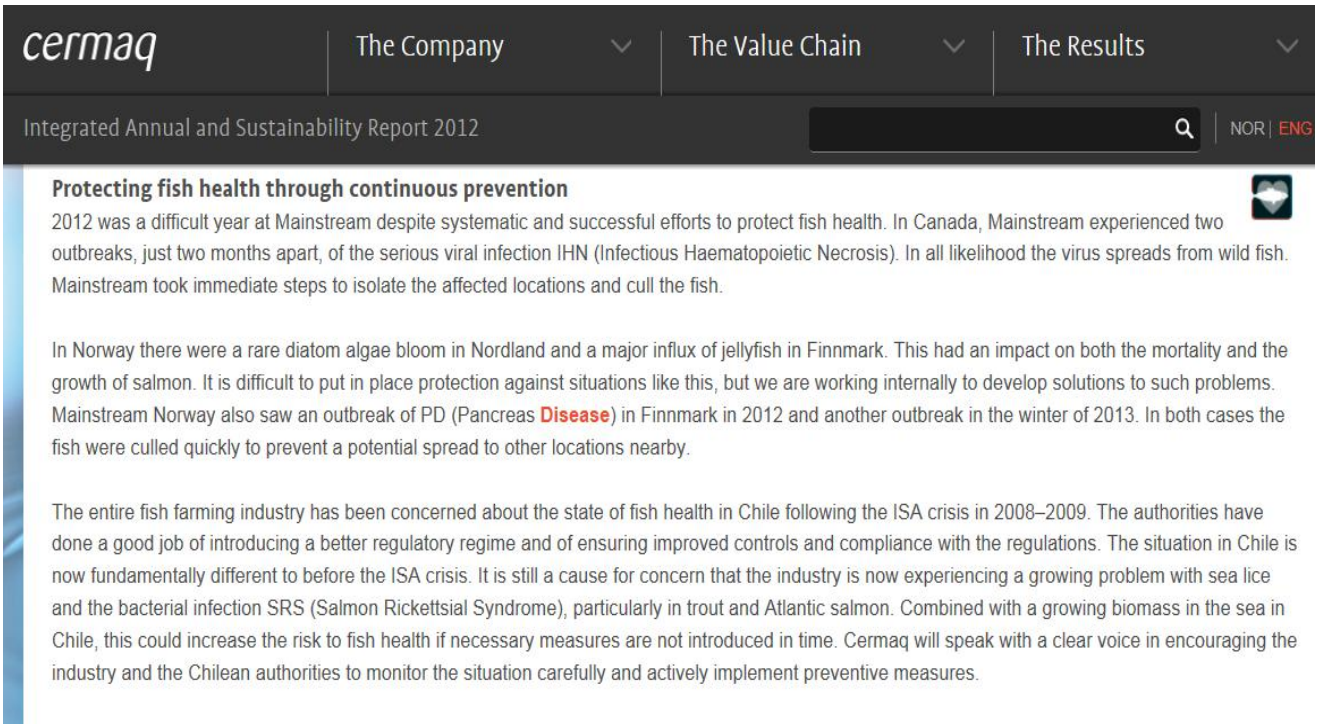
Oslo, 14 March 2013

Bård Mikkelsen *Chair*	Rebekka Glasser Herlofsen *Deputy Chair*	Åse Aulie Michelet *Director*
Helge Midttun *Director*	Jan Erik Korssjøen *Director*	Reidun Karlsen *Director (employee elected)*
Ted Andreas Mollan *Director (employee elected)*	Jan Helge Førde *Director (employee elected)*	Jon Hindar *Chief Executive Officer*

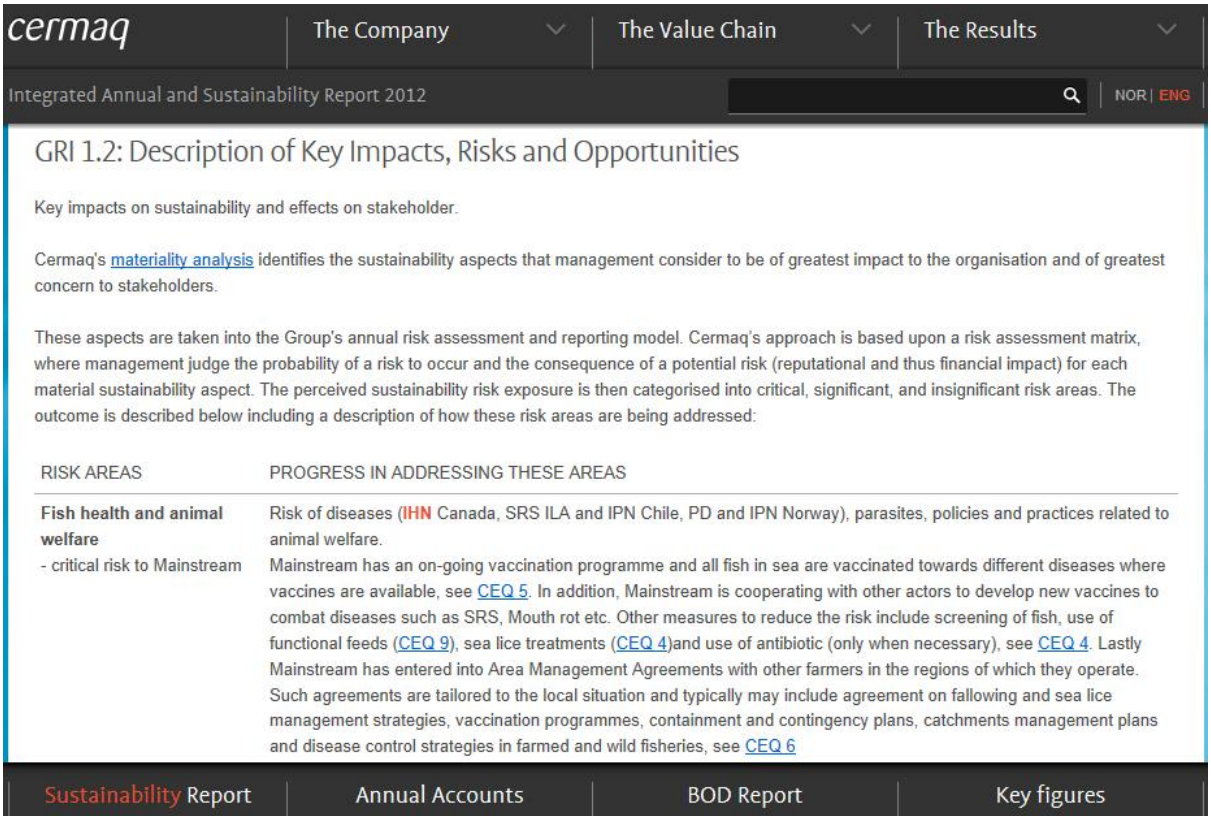
The report also details 'biological risk':



Your CEO report admits that 2012 was "a difficult year" for diseases:



The report also identifies risk areas including IHN in Canada:



cermaq | The Company | The Value Chain | The Results

Integrated Annual and Sustainability Report 2012 | NOR | ENG

GRI 1.2: Description of Key Impacts, Risks and Opportunities

Key impacts on sustainability and effects on stakeholder.

Cermaq's materiality analysis identifies the sustainability aspects that management consider to be of greatest impact to the organisation and of greatest concern to stakeholders.

These aspects are taken into the Group's annual risk assessment and reporting model. Cermaq's approach is based upon a risk assessment matrix, where management judge the probability of a risk to occur and the consequence of a potential risk (reputational and thus financial impact) for each material sustainability aspect. The perceived sustainability risk exposure is then categorised into critical, significant, and insignificant risk areas. The outcome is described below including a description of how these risk areas are being addressed:

RISK AREAS	PROGRESS IN ADDRESSING THESE AREAS
Fish health and animal welfare - critical risk to Mainstream	Risk of diseases (IHN Canada, SRS ILA and IPN Chile, PD and IPN Norway), parasites, policies and practices related to animal welfare. Mainstream has an on-going vaccination programme and all fish in sea are vaccinated towards different diseases where vaccines are available, see CEQ 5. In addition, Mainstream is cooperating with other actors to develop new vaccines to combat diseases such as SRS, Mouth rot etc. Other measures to reduce the risk include screening of fish, use of functional feeds (CEQ 9), sea lice treatments (CEQ 4)and use of antibiotic (only when necessary), see CEQ 4. Lastly Mainstream has entered into Area Management Agreements with other farmers in the regions of which they operate. Such agreements are tailored to the local situation and typically may include agreement on fallowing and sea lice management strategies, vaccination programmes, containment and contingency plans, catchments management plans and disease control strategies in farmed and wild fisheries, see CEQ 6

Sustainability Report | Annual Accounts | BOD Report | Key figures

However, why is Cermaq still ignoring disease risks associated with Infectious Salmon Anaemia and Piscine Reovirus/HSMI in particular?

Please also refer to my previous (unanswered) letters dated May 2012 and May 2011 which also detailed Cermaq's disease risks.

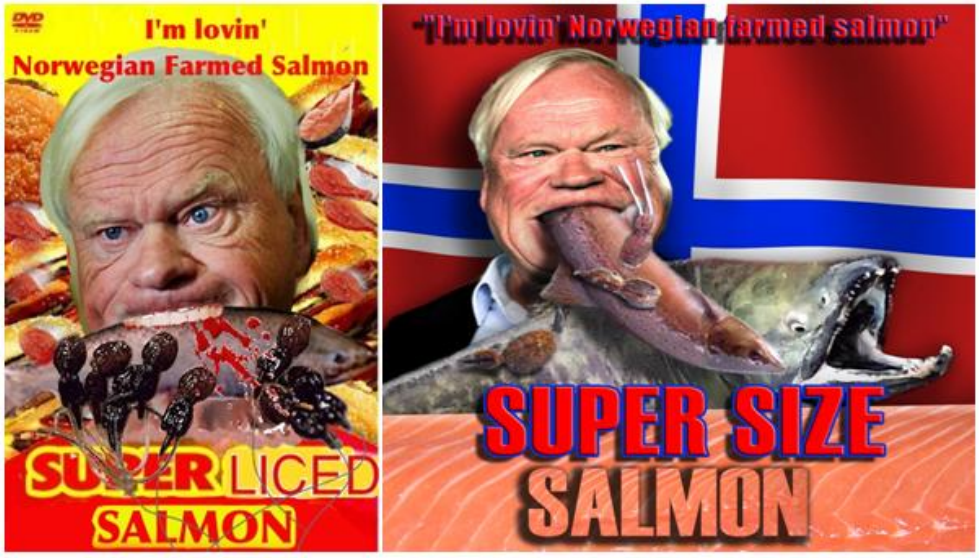
When we met briefly in Bergen in March you refused to answer questions on Cermaq's infectious disease problems or the ongoing 'Salmon Farming Kills' lawsuit.

As I wrote in my blog:

Cermaq CEO Jon Hindar, winner of the "When In a Hole Keep Digging" award, at least smiled for the camera and said "My kids would love this!".

However, Cermaq's CEO refused to accept the award (in recognition of Cermaq's PR blunders in Canada and the ongoing "Salmon Farming Kills" lawsuit).

In view of Marine Harvest's hostile takeover, why has Cermaq not accounted for the increased disease risk of super-sized salmon farming?



For example, Marine Harvest's 'Salmon Farming Industry Handbook 2013' published last month detailed the "most important health risks":

8.2 Most important health risks

Infectious Pancreatic Necrosis (IPN)
IPN is caused by the IPN virus and is widely reported. It is a contagious virus that can cause mortality if not managed appropriately. IPN can affect Atlantic salmon fry, smolts and larger fish post-transfer. Available vaccines can protect against IPN and good results are obtained by optimizing husbandry and biosecurity measures. In addition, promising results are now seen by selection of families less susceptible for the disease (QTL-based selection).

Pancreas Disease (PD)
PD is caused by the Salmonid Alphavirus and is present in Europe. It is a contagious virus that can cause reduced appetite, muscle and pancreas lesions, lethargy, and if not appropriately managed, elevated mortality. PD only affects Atlantic salmon in seawater and control is achieved mainly by management and mitigation practices. Combined with these measures, vaccination is used where PD represents a risk and which provides an additional level of protection.

Heart and Skeletal Muscle Inflammation (HSMI)
HSMI is currently reported in Norway and Scotland. Symptoms of HSMI are reduced appetite, abnormal behaviour and in most cases low mortality. HSMI generally affects fish the first year in seawater and control is achieved mainly by good husbandry and management practices.

Infectious Salmon Anaemia (ISA)
ISA is caused by the ISA virus and is widely reported. It is a contagious disease that causes lethargy, anaemia and may lead to significant mortality in seawater, if not appropriately managed. Control of an ISA outbreak is achieved through culling / harvesting of affected fish in addition to other biosecurity and mitigation measures. Vaccines are available and in use where ISA is regarded to represent a significant risk.

Salmonid Rickettsial Septicaemia (SRS)
SRS is caused by an intracellular bacterium. It occurs mainly in Chile, but is also observed, to a much lesser extent, in Norway and the UK. It causes lethargy, less appetite and can result in elevated mortality. SRS is controlled by vaccination, but medicinal intervention (licensed antibiotics) may also be required.

Gill Disease (GD)
GD is a general term used to describe gill conditions occurring in seawater. The changes may be caused by different infectious agents; amoeba, virus or bacteria, as well as environmental factors including algae or jelly-fish blooms. Little is known about the cause of many of the gill conditions and to what extent infectious or environmental factors are primary or secondary causes of disease.

Sea lice
Sea lice, of which there are several species, are natural occurring seawater parasites. They can infect the salmon skin and if not controlled, they can cause lesions, secondary infection and mortality. Sea lice are controlled through good husbandry and management practices and the use of licensed medicines and cleaner fish (different wrasse species, eating parasites off the salmon skin)

Marine Harvest's Q1 2013 financial report also detailed fish health problems:

Q1 | 2013

FIRST QUARTER
MARINE HARVEST GROUP

marineharvest

Fish health

ISA: ISA re-emerged in the Chilean industry in the first quarter. The disease has so far only been detected at 2 sites in Region XI where Marine Harvest has no active sites. Marine Harvest has taken mitigating actions, to the extent possible and supports the authorities in their strict measures with regard to immediate harvest of sites with ISA outbreaks.

PD: There were 3 sites diagnosed with PD in Norway in the period, compared to 5 in the first quarter of 2012. The related mortality has not been material. There were no sites diagnosed with PD in Scotland and Ireland in the period (last year 1 in Ireland).

Amoebic gill disease (AGD): High presence of a microscopic amoeba named *Neoparamoeba perurans*, caused Amoebic Gill Disease, elevated mortality and reduced performance at several farms in Scotland and Ireland in 2012. In the fourth quarter AGD was diagnosed in the southern part of Norway. So far, no clinical disease has been experienced in Norway.

Marine Harvest's 2012 Annual Report published last month also detailed significant disease problems – with HSMI identified as the #2 biggest killer:

2012 marineharvest ANNUAL REPORT

CAUSES OF MORTALITY

INFECTIOUS

	FISH NUMBERS	BIOMASS
1	Amoebic gill disease (AGD)	Amoebic gill disease (AGD)
2	Heart and skeletal muscle inflammation (HSMI)	Heart and skeletal muscle inflamation (HSMI)
3	Infectious pancreatic necrosis (IPN)	Cardiomyopathy syndrome (CMS)
4	Pancreas disease (PD)	Pancreas disease (PD)

Marine Harvest's [2012 Annual Report] also detailed how mortality rates were increasing in Scotland, Ireland, Canada and Chile:

In 2012, the average monthly mortality rates in the group where 0.76% and 0.72% in terms of biomass and fish numbers respectively (see table). There is a wide spread in the reported mortality rates between business units due to different local disease challenges. Marine Harvest Ireland was the most challenged unit in 2012 due to Amoebic Gill Disease (AGD).

MORTALITY

	BIOMASS LOST		NUMBER OF FISH LOST	
	2011	2012	2011	2012
Norway	0.79%	0.70%	1.06%	0.76%
Scotland	0.45%	0.77%	0.94%	0.92%
Ireland	1.47%	3.59%	3.10%	N/A
Faroes	0.24%	0.31%	0.34%	0.40%
Canada	0.52%	0.76%	0.59%	0.88%
Chile	0.19%	0.31%	0.14%	0.25%
MH Group	0.67%	0.76%	0.95%	0.72%

The table shows average monthly mortality based on lost biomass and numbers in % of the opening balance. The average monthly losses in numbers have been reduced from 0.95% in 2011to 0.72% in 2012, while the average monthly losses based on biomass have increased from 0.67% to 0.76% because the fish that died had higher average weight.

If Marine Harvest succeed in their "[classic acquisition, not merger]" of Cermaq, surely the disease risks will amplify even further?

As I wrote in my blog earlier this month:

"A mega-merger between Marine Harvest and Cermaq would create mega-problems. Before last year's Marine Harvest AGM, Alexandra Morton wrote to Marine Harvest's current CEO Alf-Helge Aarskog:

Dear Mr. Alf-Helge Aarskog, CEO Marine Harvest:

June 3, 2012

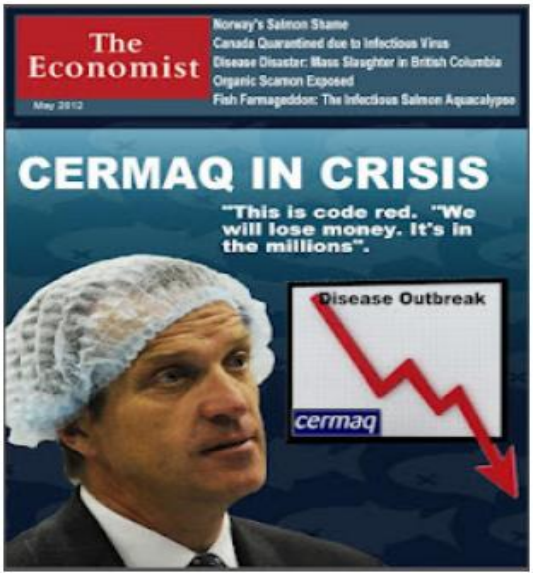
· Marine Harvest

Dear Mr. Alf-Helge Aarskog, CEO Marine Harvest:
corporate@marineharvest.com

There are serious viral issues with salmon farming in British Columbia that are being suppressed here in Canada that your shareholders should be informed about.

We have found Norwegian *Piscine Reovirus* associated with HSMI, as well as, the Infectious Salmon Anemia virus mutations HPR5 and HPR7b in fresh Atlantic salmon purchased in British Columbia, Canada markets. Both of the HPR5 and HPR7b mutations of ISA virus have caused large mortalities in salmon. While the BC Salmon Farmers Association and Federal Government Canada deny these viruses are present in BC - it is hard to explain their presence in fresh Atlantic salmon in the markets - someone's farms must be infected with ISAv and PRv. Are you informed about the potential risk of an ISAv outbreak in BC and the strong negative reaction that the people of British Columbia will have to this?

Cermaq was also informed prior to their AGM in 2012 of the disease risks in British Columbia in particular.



Cermaq were warned back in May 2011 when GAAIA wrote to the Board of Directors, the Oslo Stock Exchange, shareholders and financial analysts concerning the non-disclosure of disease data. Read the letter [online here]

Cermaq's new CEO Jon Hindar was warned again in May 2012 of the disease risks associated with Cermaq's operations in British Columbia. Read the letter [online here]."

Whether the hostile takeover is successful or not, how does Cermaq view the financial risks of the recently filed lawsuit in British Columbia against Marine Harvest by Alexandra Morton?

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You are here: Home » Blog » Viruses on fish farms + wild salmon = bad news

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Viruses on fish farms + wild salmon = bad news

POSTED BY KIMBERLY SHEARON AT MAY 16, 2013 08:00 AM | PERMALINK

FILED UNDER: FISHERIES ACT, WILD SALMON, MARGOT VENTON

By **Margot Venton, staff lawyer**

Pacific salmon are an iconic West Coast species that feeds and sustains individuals, communities and culture. But as Justice Bruce Cohen **recently concluded**, disease poses serious risk to the health of British Columbia's wild salmon.

That's why last week, Ecojustice — on behalf of biologist Alexandra Morton — launched a lawsuit seeking a Federal Court order declaring that the transfer of farmed Atlantic salmon carrying disease or disease agents into waters shared with wild fish is unlawful.

Is Cermaq currently affected by Piscine Reovirus/HSMI in Norway, Chile or Canada?

It is known that HSMI is a big killer in Norway. The latest 'Farmed Fish Health Report' from the Norwegian Veterinary Institute included:

> There was an increase (approximately 20%) in the number of heart and skeletal muscle inflammation (HSMI) cases registered in 2011 compared with 2010 (162 compared with 131). Mid- and Northern- Norway remain the core areas for HSMI. While there is a positive relationship between the number of piscine reovirus (PRV) virus particles and HSMI, the virus is extremely widespread. Investigations are currently underway which hope to define the relationship between PRV and HSMI. The number of diagnosed cardiomyopathy syndrome (CMS) cases was similar to 2010. This disease causes significant financial losses due to the large size of affected fish. The ability of piscine myocarditis virus (PMCV) to cause CMA has been demonstrated in laboratory trials.
>
> *Norwegian Veterinary Institute- Fish Health Report 2011*

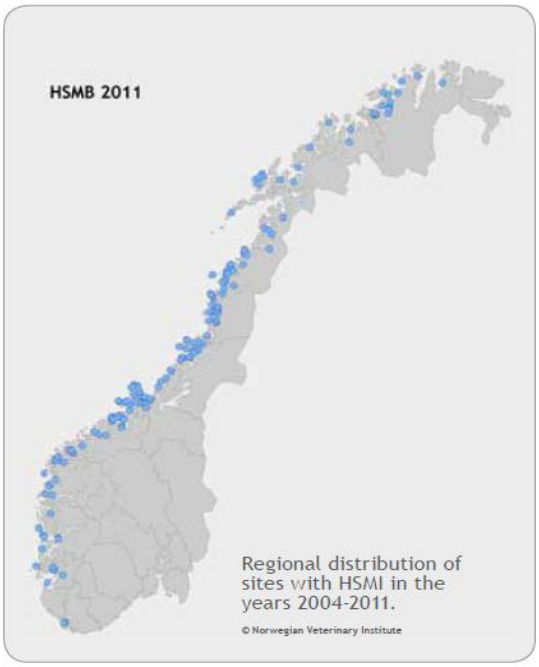
How many of Cermaq's sites are currently affected?

Heart and skeletal muscle inflammation (HSMI)

Heart and skeletal muscle inflammation (HSMI) is an infectious disease in farmed salmon which has in recent years become extremely widespread. In 2011 the disease was diagnosed in a total of 162 sites, most in the seawater phase (Table 1). This is an increase of approximately 20% in registered cases compared with 2010. In some regions 'nearly all' seawater sites were affected by the disease. HSMI outbreaks were also diagnosed in two juvenile production units with seawater intake.

Table 1. Total number of sites 1998-2010 diagnosed with infectious salmon anaemia (ISA), pancreas disease (PD), heart and skeletal muscle inflammation (HSMI) and infectious pancreatic necrosis (IPN). For those diseases for which it is relevant, both "suspected" and confirmed diagnoses are included. Navnet på sykdommene i tabellen: ISA, PD, HSMI, IPN

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ISA	13	14	23	21	12	8	16	11	4	7	17	10	7	1
PD	7	10	11	15	14	22	43	45	58	98	108	75	88	89
HSMI							54	83	94	162	144	139	131	162
IPN					174	178	172	208	207	165	158	223	198	154



The report – published in July 2012 by the Norwegian Veterinary Institute (the 2012 report is expected soon) – included:

> A viral aetiology for HSMI has long been suspected, and an infectious challenge published in 2004 confirmed its infectious nature. In 2010 HSMI was related to the presence of a virus, Piscine reovirus (PRV). This is a naked, robust, double stranded RNA virus. Real-time PCR investigations have shown that PRV is extremely prevalent and is found in both healthy and diseased farmed salmon, wild salmon and rainbow trout. There exists however a clear relationship between clinical disease and the amount of PRV in farmed salmon and direct detection of the virus in heart tissues of diseased fish supports a relationship between PRV and HSMI. It has also been revealed, however, that the presence of large amounts of PRV does not necessarily mean that the fish has or has had HSMI. Clearly more research is required to understand the relationship between virus and disease.

In British Columbia, Piscine Reovirus and Infectious Salmon Anaemia were reported dangerously close to Cermaq's operations at Creative Salmon in the Clayoquot Sound UNESCO Biosphere Reserve by Dr. Kristi Miller at the Cohen Commission's inquiry in December 2011. Friends of Clayoquot subsequently called for the testing of Cermaq's farmed salmon. What results has Cermaq found in your farmed salmon in Canada? Have you informed your shareholders and investors of the disease risks?

As the lawsuit filed by Alexandra Morton earlier this month stated in the Notice of Application (read in full via NOTICE OF APPLICATION FILED.pdf).

> Any License condition in an aquaculture License that purports to authorize the transfer of fish having diseases or disease agents that may be harmful to the protection and conservation of fish is *ultra vires*.
>
> The License Condition unlawfully allows the transfer of fish having diseases or disease agents that may be harmful to the protection and conservation of fish, contrary to section 56 of the *Fishery (General) Regulations*.
>
> The License Condition constitutes an unlawful exception to the legal prohibition, in section 56 of the *Fishery (General) Regulations*, against the transfer of fish having disease or disease agents that may be harmful to the protection and conservation of fish.

These transferred Atlantic salmon smolts were infected with a disease agent, known as Piscine Reovirus ("PRV") that may be harmful to the protection and conservation of fish.

PRV may harm fish, and in particular PRV may be harmful to wild salmon.

PRV is waterborne and contagious and can be transmitted from farmed salmon to wild fish.

PRV is associated with, and thought, to cause Heart and Skeletal Muscle Inflammation ("HSMI") in salmon.

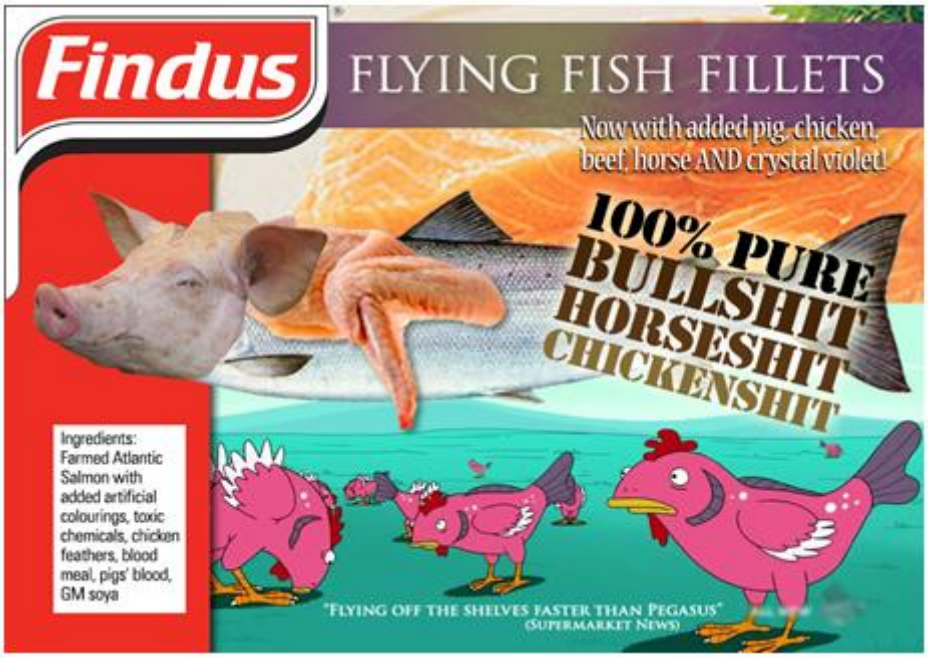
The physical effects of HSMI on salmon reduce salmons' ability to survive and to complete their life-cycle and particularly their ability to swim upstream.

In view of the financial risks – especially in relation to the financial fallout and exposure to the lawsuit in British Columbia – why has Cermaq not notified the Oslo Stock Exchange in line with the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act?

"This just says you won't reveal anything about our nondisclosure agreement."

For more background on Piscine Reovirus/HSMI please read this backgrounder and watch "A chicken virus in farmed salmon?"

On the issue of feeding chicken products to farmed salmon, does Cermaq use chicken feathers in their feed? In Canada, for example, salmon farmers have used chicken feathers for over a decade (read "Finger Lickin' Good? Farmed Salmon Feed Contains Chicken Parts").



And in Europe, from 1 June, the use of chicken and pork products will be permitted in salmon feed (read more via "Backlash Against Chicken & Pork in Farmed Fish!" and "French Say "Non" to Chicken & Pork in Farmed Salmon!"). Will Cermaq be feeding chicken and pork products to their farmed salmon?

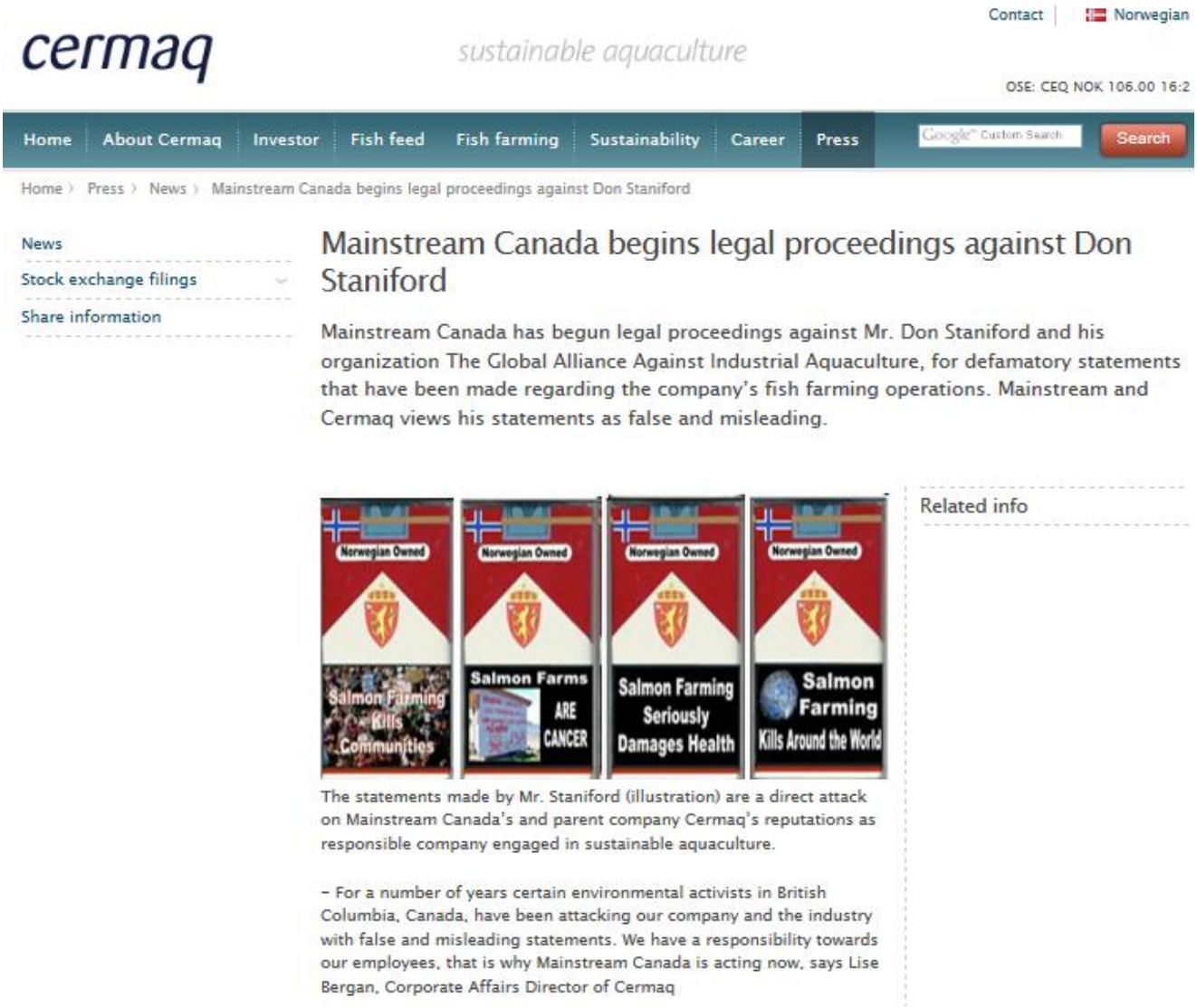
Finally, please also note the ongoing '[Salmon Farming Kills]' lawsuit involving myself and Cermaq – the appeal hearing is on 28 May in the BC Court of Appeal. Cermaq's lawyers in Canada are seeking to outlaw over fifty statements including the patently true statement "Salmon Farming Spreads Disease" (read more read via "[Censorship Like A Cancer Grows]").

Does Cermaq honestly believe that they are above the law and can abuse the Canadian courts to suppress legitimate criticism – based upon peer-reviewed scientific research – of salmon farming all over the world?

Cermaq's clumsy attempt to muzzle global criticism is a classic example of how corporations operate above and beyond the law. Corporations, required by law to promote and pursue their own interests above all others, “prey upon and exploit others without regard for legal rules or moral limits,” writes Canadian law professor Joel Bakan in his book "The Corporation: The Pathological Pursuit of Power".

Read more via “Media lawyer for Don Staniford calls for changes in the way corporations can sue for loss of reputation”

Why has Cermaq not disclosed the implications and financial risks of this lawsuit to shareholders? Since Cermaq's press release in March 2011 there have been no further press releases issued by Cermaq.



It is curious that I can find no mention by Cermaq in your annual report or in any quarterly reports of the lawsuit loss in September 2012 or appeal in October 2012 – despite reports in the Norwegian media including Aftenposten and NRK.

Aftenposten.no
Søndag 19. mai 2013
Verden Norge Osloby Økonomi Kultur Meninger TV Sport A-Å
Siste nytt: Venner leter etter Eeva-Maria (kl.10:12)
TIPS OSS
Søk i Aftenposten på nett og papir

Don Staniford jubler da han ble frifunnet av en domstol i Canada for injuriesøksmål i september. Men nå må han belage seg på en ny runde i retten.
FOTO: Norges Miljøvernforbund.

Norsk oppdrettsgigant tar lakseaktivist til retten igjen

Norskeide Mainstream Canada anker frifinnelsen av lakseaktivist Don Staniford i injuriesaken som var anlagt mot ham i British Columbia i Canada. Nå tar briten oppdrettskrigen til Norge sammen med Kurt Oddekalv.

Jan Gunnar Furuly
Publisert: 16.okt. 2012 19:31, Oppdatert: 16.okt. 2012 21:58

I september ble Staniford fra Den globale allianse mot oppdrettsnæringen frifunnet for injurierer i The Supreme Court of British Columbia.

Mainstream Canada, som er datterselskap av den halvstatlige norske oppdrettskjempen Cermaq, hadde gått til sak mot den britiske aktivisten på grunnlag av hans langvarige kampanje mot norsk oppdrettsnæring på

På forsiden akkurat nå

NRK Nyheter TV Radio Snarveier
NRK > Kanal > NRK Sápmi
NRK Sápmi

Marjimuš oddasat sámegillii Skohterseavvi váidán fylkkamánni

Aktivist vant mot norsk oppdrettsgigant

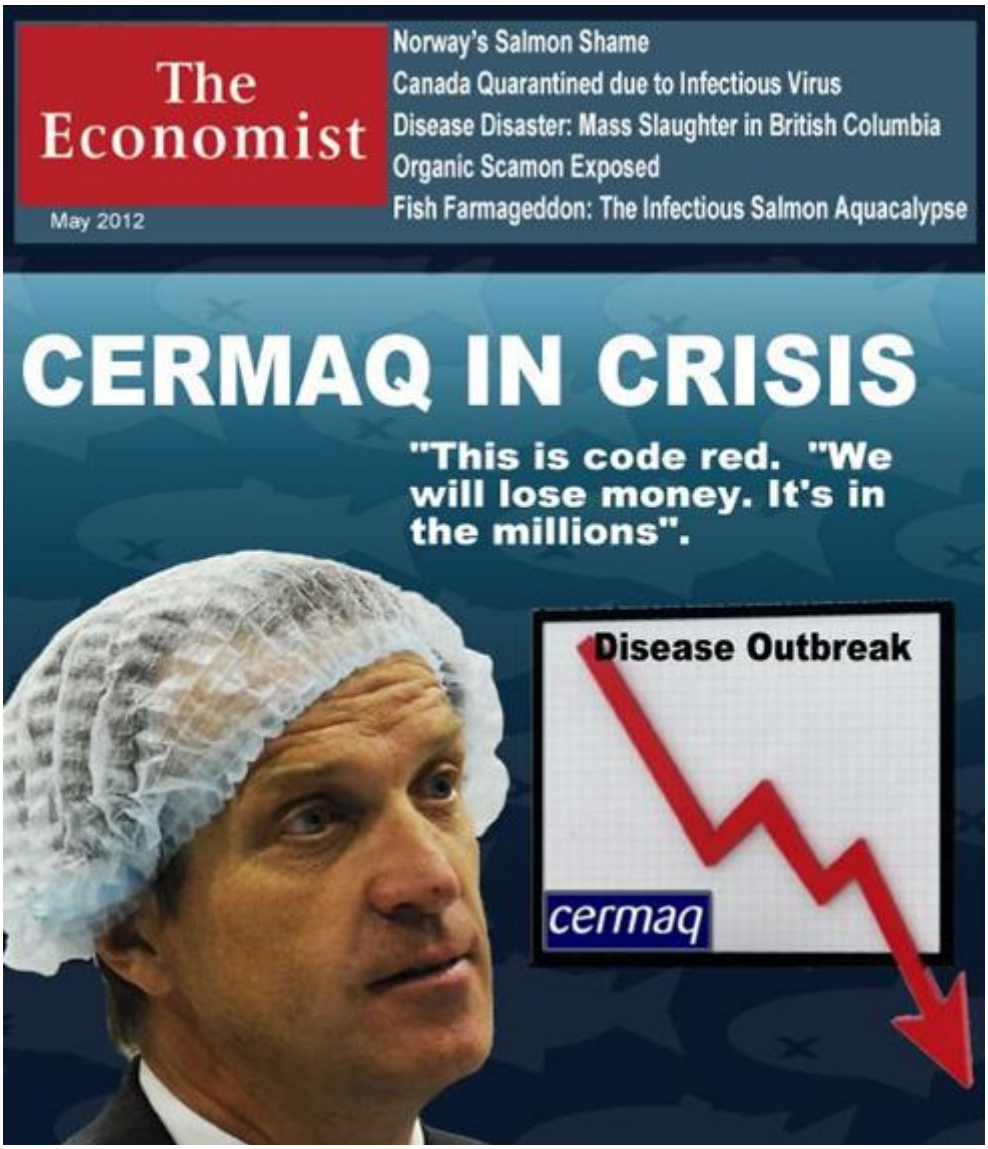
- En stor seier for miljøet, sier Staniford fra Spania.
Privat

Lakseaktivisten Don Staniford vant mot den norskeide oppdrettsgiganten Mainstream Canada.

LIV INGER SOMBY
liv.inger.somby@nrk.no
DAN ROBERT LARSEN
dan.robert.larsen@nrk.no

Publisert 29.09.2012 14:15. Oppdatert 29.09.2012 14:26.

Shareholders deserve to hear the truth, the whole truth and nothing but the truth about Cermaq's salmon farming operations.



It may make for uncomfortable reading for investors but as Cermaq's CEO surely it is incumbent of you to be wholly transparent. Please therefore adopt a policy of full disclosure in relation to Cermaq's disease risks and financial exposure to ongoing lawsuits. If nothing else, Marine Harvest ought to be aware of the significant risks before their hostile takeover gets even nastier for the environment and for everyone concerned.

Yours sincerely,

Don Staniford
Global Alliance Against Industrial Aquaculture