

Press Release

Morpol ASA - Strong growth but high raw material prices impacting on margins in second quarter

Oslo, 31 August 2010: Morpol ASA (OSE: MORPOL)

Morpol ASA reported a negative EBIT for second quarter 2010 of EUR 2.1 million. This was a decrease from corresponding quarter 2009 where there was a profit of EUR 11.0 million. High raw material prices impacted negatively on the results. The group had a net loss in the quarter of EUR 2.2 million (EUR 10.9 million profit) and a net profit in the first half of EUR 1.4 million (EUR 15.5 million).

Despite higher volumes, a significantly higher raw material price – mainly gutted salmon purchased from Norway – compared to last year had an adverse impact on profitability short term. It is expected that raw material prices of salmon will drop from current record levels in the second half of 2010.

Strong growth in operating revenues

Operating revenues in the second quarter of 2010 were 22 per cent above the second quarter prior year at EUR 83.4 million (prior year EUR 68.1 million). The revenue increase was mainly driven by a strong volume increase – 16 per cent increase in core product sales – and also higher sales prices.

“We had satisfactory results in the first half of 2010 and the demand for salmon is high. The second quarter was challenging with export prices of salmon reaching historical record levels which affected us negatively. However, we have once again grown strongly and created a platform for the future” says CEO Jerzy Malek.

Morpol experienced strong sales growth during the first half year. The volume growth of core products grew 24 per cent compared to the same period 2009. Germany remains the main market for Morpol products. However, Morpol is expanding rapidly into other markets such as France, USA and UK with its core products.

Acquisition of three companies

Morpol previously announced its first step into salmon farming with the acquisition of Mainstream Scotland and Westray Salmon. Today Morpol announces that the company has entered into an agreement to acquire the total assets of a third salmon company; Rysa Salmon in Orkney, Scotland. Rysa Salmon has two farming licenses and currently only produces organic salmon with an annual harvest in 2010 of

approximately 450 tonnes. Morpol plans to increase the size of the salmon licenses to allow annual harvest of approximately 750 tonnes per year. Purchase price for the Rysa transaction is GBP 1.96 million (EUR 2.40 million). Morpol will merge the assets of Rysa salmon with Mainstream Scotland and Westray Salmon.

“We are following our strategy of upstream integration and penetration of selected markets, and I am satisfied with the first steps we have made by acquiring salmon farming operations in Scotland”, says Jerzy Malek.

Though export prices from Norway and other countries have been very high compared with historical levels, an increased supply will likely mean a gradual decrease in the market price for gutted salmon, the main raw material input for Morpol.

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About Morpol

The Morpol Group is engaged in salmon processing as well as sale and distribution of finished salmon products. The Morpol Group's main products are: cold and hot smoked salmon, gravadlax, fresh salmon fillets, frozen salmon portions, organic salmon, wild salmon and salmon specialties. The Morpol Group had revenue of approximately EUR 340 million in 2009.

Founded in 1996 in Ustka on the Baltic coast of Poland, the company employs over 3,000 people in eight countries. Morpol Group is the world leader in smoked salmon. The company has achieved its world leading position through the efficiency of processing activities, a constant focus on product quality and service provided to retail and food service customers. Morpol serves customers across Europe, in Japan and the United States.

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