

# Community Footprints of Arnarlax 2021



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# 01 Community Footprints

## What are community footprints?

Community footprints are a summary for Icelandic companies to show in a simple way their contribution to the community, including the payment of taxes and government fees.

This is a short summary that provides information regarding what taxes and fees the company is paying. Furthermore, other information is presented that is considered to increase the understanding of the value the company creates with its operation.

Discussion regarding tax payments of companies in the media can involve the risk of things being taken out of context or great emphasis placed on a single fee or tax. Community footprints provide a complete picture of all the taxes and fees that flow to public authorities in one summary.

A report regarding community footprints can provide a good overview of taxes and fees. It is possible to use the report to provide the public an insight into the tax environment of a company and at the same time react quickly to enquiries of individuals or media or possible blurriness in public discussion.

The information in the report can also be a component of internal information sharing and be useful when making business plans in addition to the comparative information the tax payments can provide management regarding inner ratios in the company's operation between years.

Information that is presented in this report regarding the community footprints of Arnarlax hf. consolidation is based on the consolidation's financial statements, statements and information from public authorities, and other data from the management of Arnarlax.

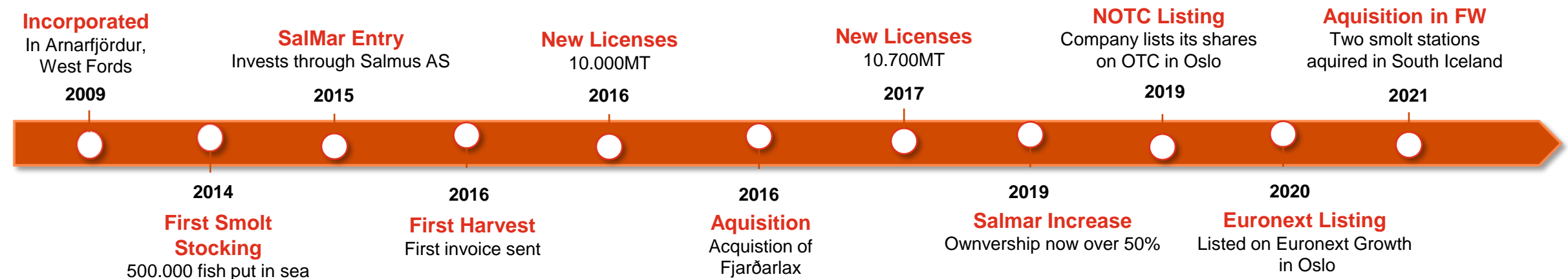


# 02 About Arnarlax

Arnarlax was incorporated in 2009 by people that saw an opportunity to utilize sheltered fjords and clean sea to farm top quality salmon. The company was initially mostly a family-owned company with institutional investors coming in later in the process. Arnarlax received its first production permits in 2012 and in 2014 the first sea pen was populated. SalMar ASA entered the company's shareholder registry in 2015, and in 2019 increased its ownership stake to over 50%. Building the Icelandic salmon farming industry has required considerable know-how throughout the value chain and with Salmar's support, Arnarlax has had a strong backing and shareholder support. This serves as a unique source of industry expertise which has helped the company reach maturity and stability at an accelerated rate

Production period, from roe to first harvest, is on average around three years and at year end 2016 the company's first sale invoice was issued. In June 2016, Arnarlax also acquired neighbor company Fjarðalax, becoming the undisputed leader in Icelandic salmon farming. The subsidiaries, Fjarðalax and Bæjarvík, were merged with Arnarlax in 2020. The name of the Arnarlax holding company was changed to Icelandic Salmon and the company registered on the Euronext Growth equity trading market in the Norwegian stock exchange in 2020 and the company invested in increased smolt capacity with facilities in Þorlákshöfn and Grímsnes in the south of Iceland in 2021. The expansion initiative will provide both increased number of smolt and size for approximately 7,000 tonnes additional harvested volume.

Today Arnarlax is a leading salmon farming company in Iceland. The company is fully vertically integrated with full control of the value chain including juvenile production, farming, harvesting, and sales. The Arnarlax team now consists of over 150 people on all levels of our value chain in Bíldudalur, Patreksfjörður, Tálknafjörður, Reykjavík, Þorlákshöfn and Grímsnes. The company operates their own sea pens and Harvesting facility and has a 25.200 maximum biomass allowance. Arnarlax harvested 11.500 ton of salmon in 2021 and expect significant growth in volumes for the years to come.



# 02 About Arnarlax

Arnarlax contributes to the community in various ways, including paying salaries and related expenses, purchased service, purchased goods, payment of financial fees, grants, in addition to the payment of tax and fees to public authorities.

In 2021 Arnarlax had an average of 137 employees of which 102 employees were residing in Vesturbyggð and Tálknafjarðarhreppur. According to information from Directorate of Labour the average estimated working units in these municipalities was around 75% in 2021.

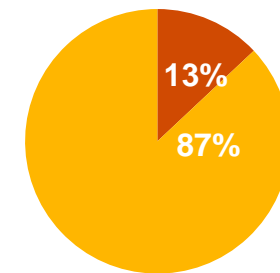
Approximately 13% of estimated work units in the two municipalities worked for Arnarlax in 2021. Additionally, many inhabitants work in derived jobs that have been created as a result of the operation of Arnarlax.

Information listed below regarding the operating year 2021 is obtained from the management of Arnarlax. Taxes and fees are presented as a separate item and are not included in the above-mentioned operating items.

## Value created to the community (million IKR)

	2021		2020		2019	
	Iceland	Of wich is Arnarlax operating territory	Iceland	Of wich is Arnarlax operating territory	Iceland	Of wich is Arnarlax operating territory
Salary expense (without tax/fees)	1.542,6	1.297,0	1496,6	1.213,6	1262,7	1.137,6
Payments to Icelandic service parties	3.001,0	867,0	2488,3	1.185,9	1337,2	754,5
Goods purchased from Icelandic parties	360,0	65,2	293	90,4	819	46,6
Paid interest in Icelandic community	16,9		25,3		170,1	
Taxes and fees to state and municipalities	834,6	294,1	643,3	238,1	515,2	198,2
Payments to pensionfunds	163,8		142,8		129,1	
<b>Total taxes and fees</b>	<b>998,4</b>		<b>786,1</b>		<b>644,3</b>	

## Estimated Workforce at Vesturbyggð and Tálknafjarðarhreppur 2021

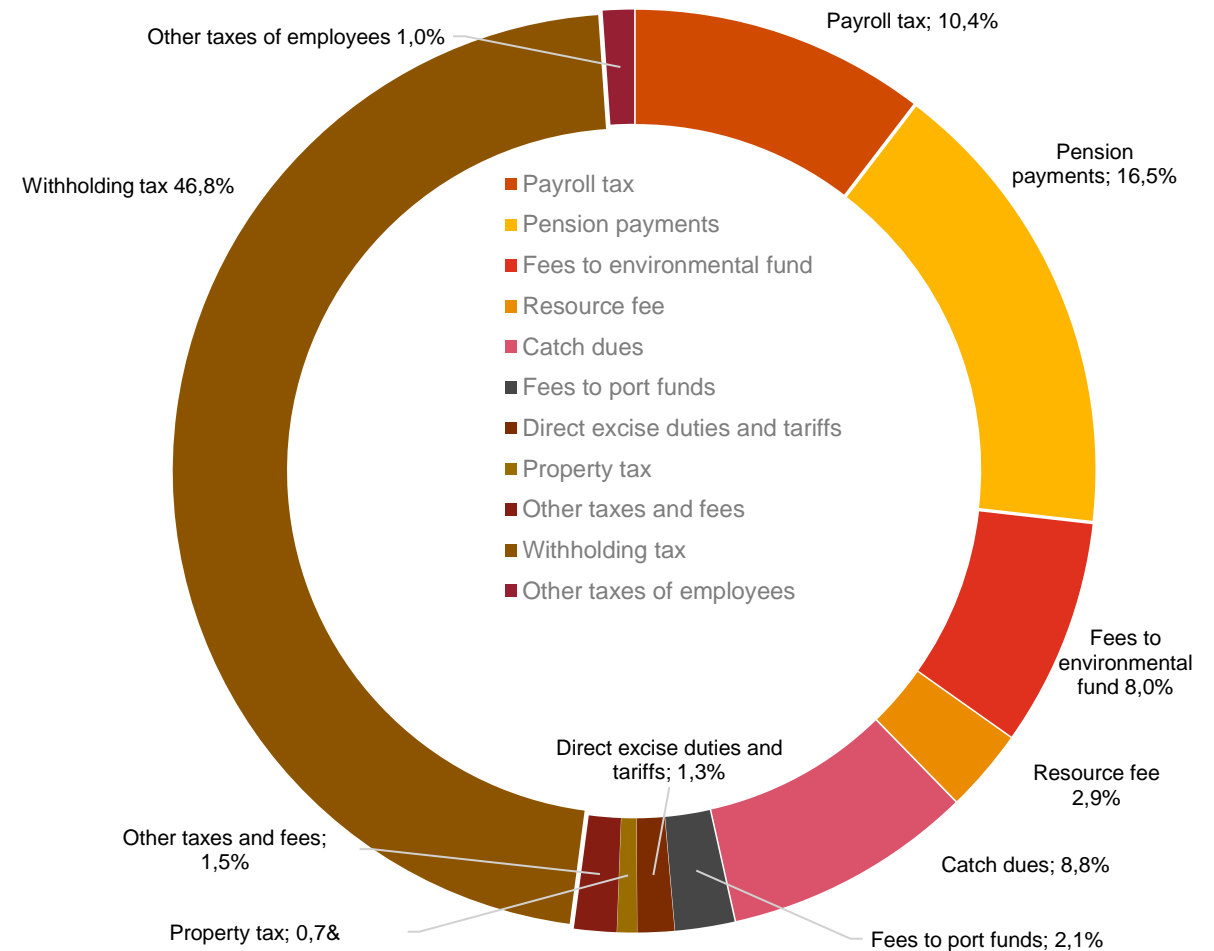


■ Employees of Arnarlax ■ Other workforce

# 03 Summary

Paid taxes and fees (million ISK)	2021	2020	2019	2018
Payroll tax	103,9	80,8	75,1	63,9
Pension payments	163,8	142,8	129,1	99,8
Fees to environmental fund	80,0	86,5	45,7	39,9
Resource fee	29,2	21	-	-
Catch dues	87,4	76,8	63,1	39,7
Fees to port funds	21,3	29,4	15	6,3
Direct excise duties and tariffs	13,2	9,7	12,5	9,2
Property tax	7,1	4,9	5,2	4,9
Other taxes and fees	14,9	13,1	16,8	9,3
	520,8	465	362,5	273
<b>Collected taxes</b>				
Withholding tax	467,2	315,6	275,9	218,7
Other taxes of employees	10,4	5,5	5,9	4,1
	477,7	321,1	281,8	222,8
<b>Total taxes and fees</b>	<b>998,4</b>	<b>786,1</b>	<b>644,3</b>	<b>495,8</b>

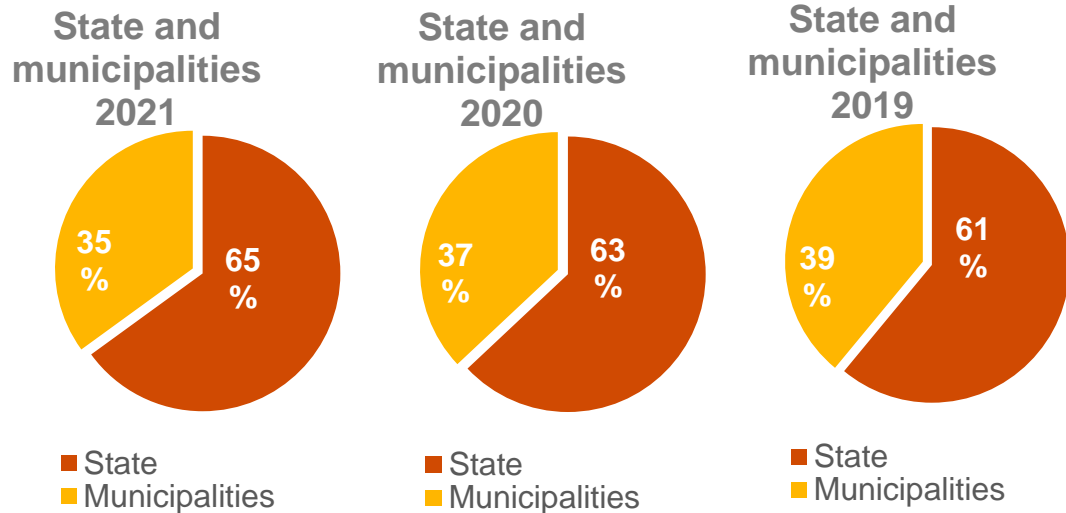
Paid taxes and fees 2021  
Proportional division



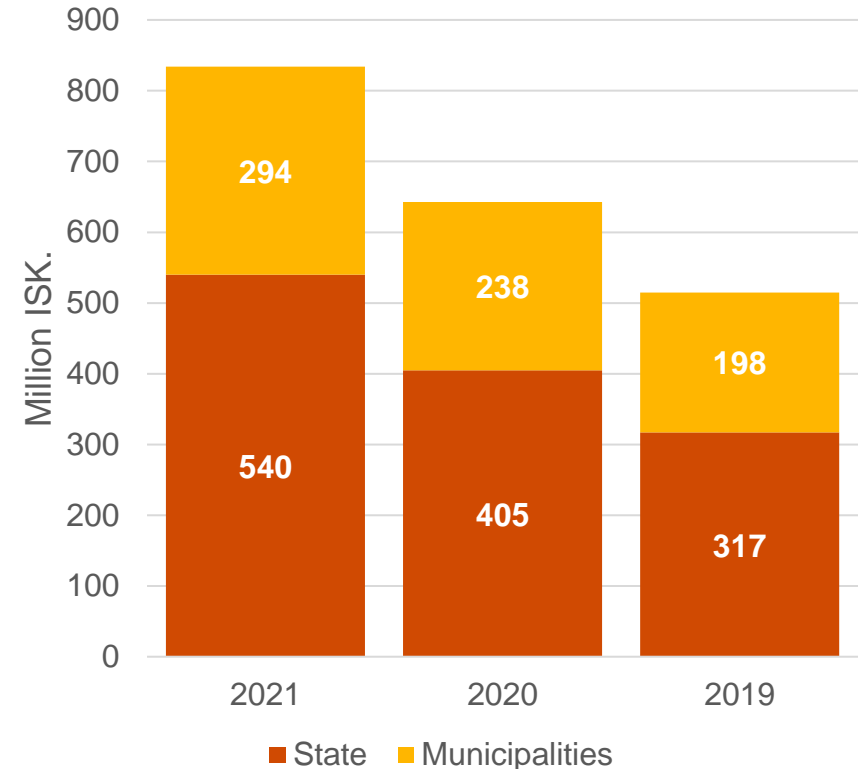
# 03 Summary

Taxes and fees of Arnarlax to state, municipalities and pension funds amounted to 998 million ISK. Payments to state and municipalities amounted to 831 million ISK and increased by 22% between 2020 og 2021. The increase is, including others, attributed to an increase in taxes and fees for salaries, increase in fees to environmental fund and a new resource fee. Proportional division between state and municipalities shows that the State's share increases between the years, from 65% in 2020 to 63% in 2021.

In this presentation the estimated part of municipal income tax in deducted withholding tax is added to the part of municipalities.



Taxes and fees to state and municipalities



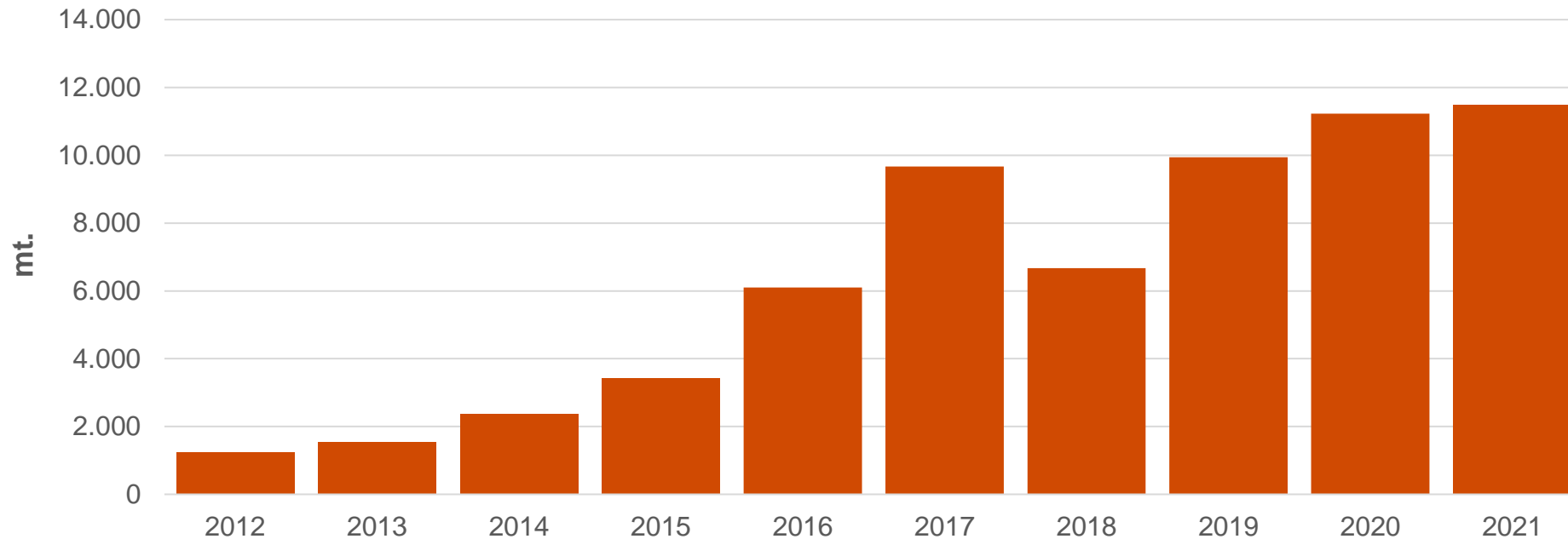
# 04 Income tax

The company's income tax is calculated from the year's profit. The amount is split into two, on the one hand is tax that will be paid next year and on the other hand is deferred tax that will be paid later. Current tax rate is 20%.

Arnarlax returned an operating profit but due to accumulated operating losses in recent years, Arnarlax will not pay income tax in 2021.

The company has been undertaking major developments and have incurred significant expenses in recent years. Continuing expansions and production increases are planned, which is forecasted to return a profit in time. The picture below shows how harvested amount has increased from 2012 to 2021. Arnarlax. The company expects to take full advantage of its biomass allowance in coming years.

Harvested amount in the years 2012 to 2021 (mt.)





# 05 Salary-related taxes

The average number of employees in 2021 at Arnarlax was around 137 compared to 119 employees in 2020. Additionally, Arnarlax employs contractors for various assignments.

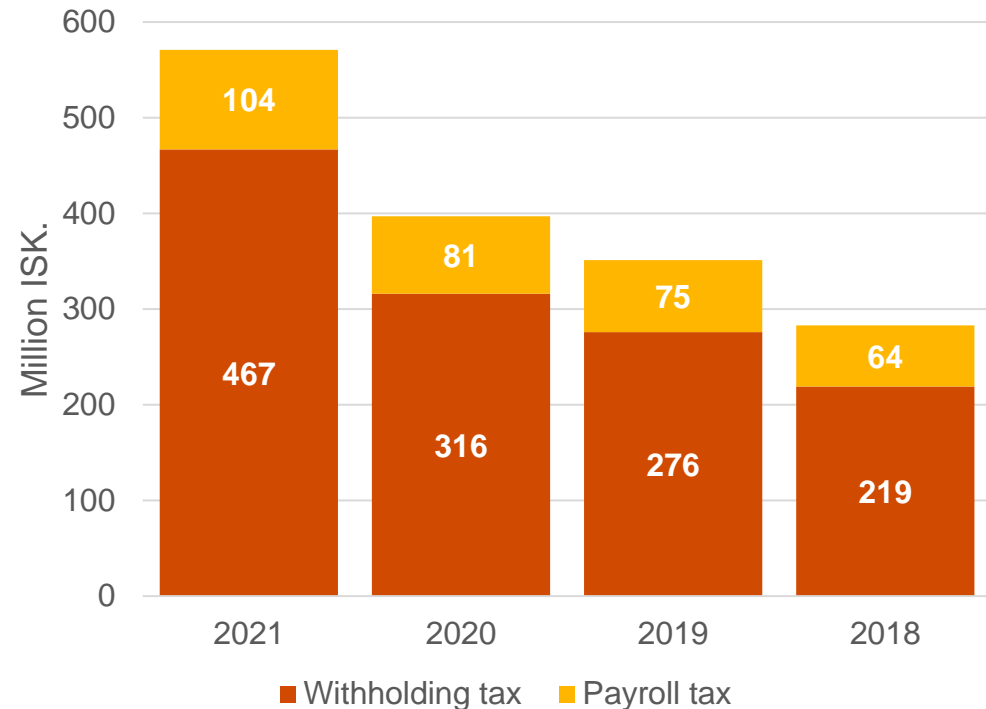
In addition to the direct jobs in fish farming that Arnarlax creates, derived jobs are created in service and increased administration. Examples of the derived jobs created by fish farming are service jobs, jobs in produce and feed transportation, inspection jobs and many more.

Taxes and official fees are calculated from every employee's salary. Employer withholds tax from salaries and so-called salary deductibles and return them to Iceland Revenue and Customs (RSK). Withholding tax of salaries is divided in two parts: On the one hand is income tax of individuals that is returned to the State and on the other hand is municipal tax that is returned to the municipality that the employee resides in.

Payroll tax is a fee that among other things goes towards unemployment insurance fund, maternity leave fund and to fund the pension and accident insurances funds of social insurance.

Total salary expense of Arnarlax amounted to 1.543 million ISK in 2021 compared to 1.497 million ISK in 2020. In 2021 Arnarlax returned 467 million ISK in withholding tax and paid 104 million ISK in payroll tax. In 2020 Arnarlax returned 316 million ISK in withholding tax and paid 81 million ISK in payroll tax.

Taxes paid of employees salaries



Salary-related taxes amounted 571 million ISK in 2021, of which 467 million ISK were withholding tax and 104 million ISK in payroll taxes. Increase between years was 44%.

# 06 Pension payments

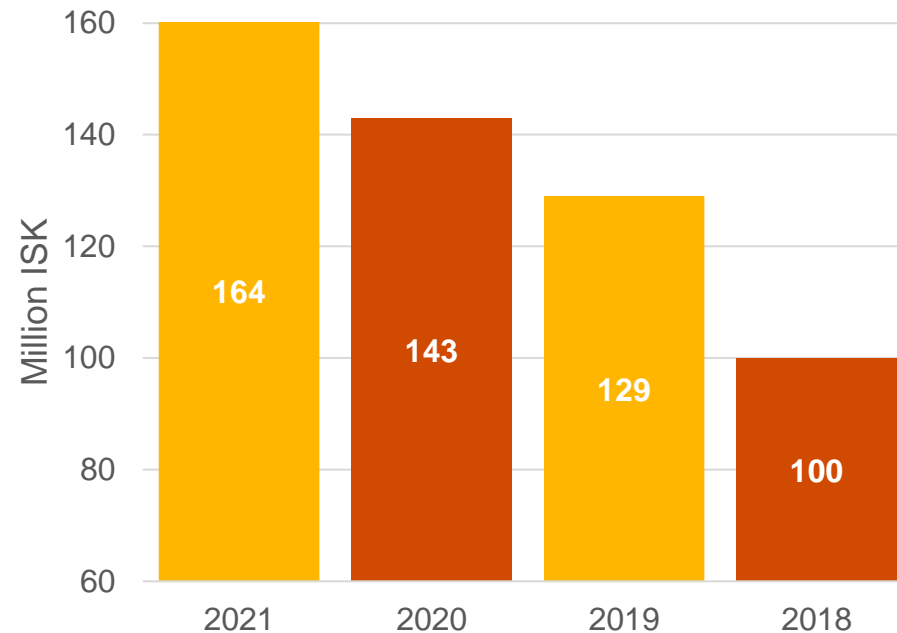
Employees of Arnarlax pay a mandatory 4% of their salary to pension insurance funds, in addition to being able to pay voluntary pension insurance premiums. Arnarlax pays 11,5% of the employees' salary in contribution to pension insurance funds, in addition to a contribution paid into the employees' voluntary pension insurance funds.

Around 47% of employees have elected to pay voluntary pension insurance premiums. Of those who pay voluntary pension insurance premiums, 68% have chosen to pay 4% of their salaries and 45% have elected to pay 2% of their salaries.

Many contractors work for the consolidation and they handle their pension insurance fund payments themselves.

Total payments towards employees' pension insurance funds in 2021 amounted to 164 million ISK, compared to 143 million ISK in 2020. In 2019 the total payments amounted to 129 million ISK and 100 million ISK in 2018.

Pension payments



Arnarlax pays 11,5% of salaries to employees' pension insurance funds and then also pays towards employees' voluntary pension insurance funds. Total pension payments amounted to 164 million ISK in 2021.

# 07 Fees to environmental fund

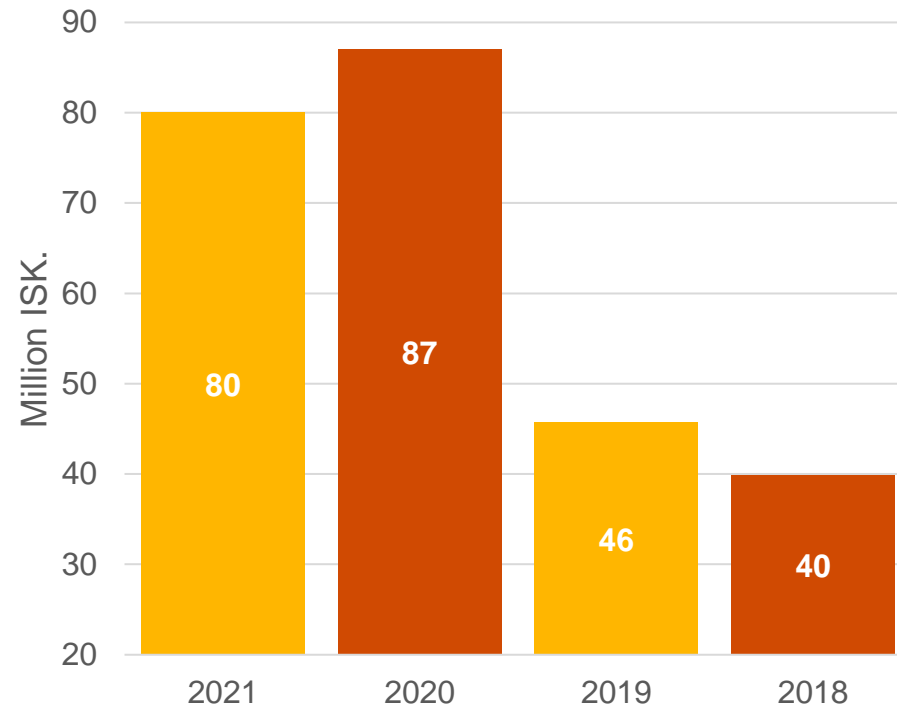
Environmental fund of fish farming operates based on law no. 71/2008, about fish farming, and is an independent fund owned by the state and is administered by the Minister of Fisheries and Agriculture. The fund's objective is to limit the environmental effects caused by fish farming.

Holders of operational permits of fish farming pay a yearly fee to the fund and as such Arnarlax paid a total of 80 million ISK in 2021 compared to 97 million ISK in 2020, 46 million ISK in 2019 and 40 million ISK in 2018. Fee for operational permits are fixed fee of 20 SDR per. tonne in license.

The fund fulfills its role by funding assignments, that revolve around adapting fish farming in Iceland to the environmental conditions in place in the country and thus limiting the environmental effect caused by fish farming. The fund pays the expenses of research of carrying capacity estimates, surveillance and other assignments that the fund's management decides.

In 2021 the fund had approximately 190 million ISK to allocate to 13 different research projects. Arnarlax is involved in two of those projects, which received grants of 11 million ISK.

Fees to environmental fund of fish farming



Fees to environmental fund amounted to 80 million ISK in 2021. Decrease between years was 8%.

# 08 Resource fee

Law no. 89/2019 about fees for fish farming in the sea and fish farming fund was enacted in 2019 and the fee was assessed on fish harvested on January 1, 2020 and thereafter. The duty to pay the fee on fish farming in the sea lies on the holder of the operating permit of a fish farm according to the law on fish farming.

The Directorate of Fisheries shall assess and charge the fee amount in accordance to guidelines laid down in the 2nd article of law no. 89/2019. According to a temporary provision of the law, the amount of the fee was 2/7 of the calculated fee in 2021 and will be 3/7 in 2022, 4/7 in 2023, 5/7 in 2024, 6/7 in 2025 and from 2026 the fee charged will be the full fee in accordance with the law.

Resource fee imposed on Arnarlax amounted to 29 million ISK for the year 2021 and will increase significantly in the coming years, but full calculated fee would have been 102 million ISK.

Fish farming fund is an independent public fund that has the role of strengthening the investment in infrastructure where fish farming in the sea is operated and thus the community and foundations of business life in the area.

In 2021 the fund allocated total of 105 million ISK to five projects. The largest grant, of total 43 million ISK, was given to Fjarðarbyggð, for the kindergarten Dalborg in Eskifjörður. Two grants were given to Vesturbyggð, total of 14 million ISK, for projects in Bíldudalur and Patreksfjörður.

The fund is expected to allocate 185 million ISK in 2022.



New resource fee for fish farming in the sea amounted to 29 million ISK for the year 2021. Increase between years was 38%.

# 09 Other taxes/fees and grants

## Import duties

Amongst other taxes and fees that the consolidation pays to the state are import duties that the company pays on imported supplies. Import duties are customs tariffs, excise duties and value-added tax (VAT) that are paid to State Treasury, both directly from own imports but mostly indirectly as part of third-party product prices.

Customs tariffs paid by Arnarlax of its own imported supplies in 2021 amounted to 9 million ISK.

## Oil and carbon tax

In 2021, 179 million ISK were expensed due to purchases of oil and gasoline, of which 43 million ISK were due to machines and cars. Part of the expense is oil and carbon tax that sellers of oil and gasoline return to the State Treasury.

The oil tax was 66 ISK per liter in 2021 while the carbon tax was 11,75 ISK per liter. Oil to use on ships and boats are exempt from oil tax when colouring and markers have been added to the oil.

## Grants

In 2021 Arnarlax gave various grants towards community issues which amounted to a total of 13,3 million ISK. Additionally, Arnarlax is a member of a cooperation surrounding public transport in southern Westfjords and pays for access to sporting facilities in the local municipalities, which both Arnarlax employees and other inhabitants reap the benefits of. Payments towards public transport and sporting facilities amounted to 13 million ISK in 2021.



# 09 Other taxes and fees

## Other fees to municipalities

Arnarlax has their main operation in Vesturbyggð and Tálknafjörður, but in 2021 the company acquired two smolt stations in south of Iceland. In relation to these operating stations the company pays various fees that flow to the municipalities, including various other service fees, health inspection fees and building inspector fees.

Catch dues are paid to the port fund of Vesturbyggð and they amounted to 87 million ISK in 2021 compared to 77 million ISK in 2020. Relative to increased production, payments of catch dues increase.

Excise duty is paid to the port fund from fee that goes ashore, and it amounted to 4,3 million ISK in 2021 compared to 4,9 million ISK in 2020.

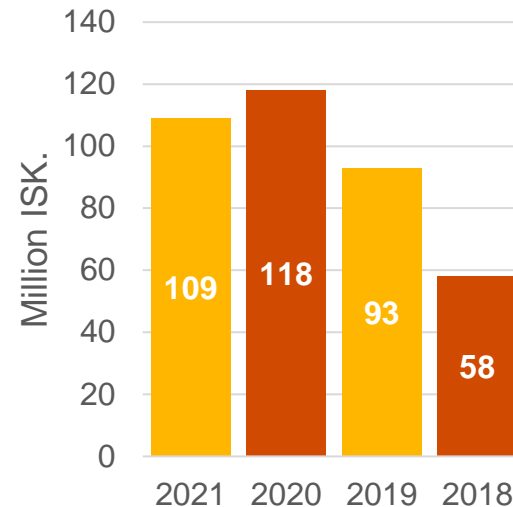
Other fees to port funds, including port fees and storage permits, amounted to 21 million ISK in 2021 compared to 29 million ISK in 2020.

Property taxes are fees that are assessed yearly on every property. They are divided into property tax, ground rent, sewage charge, water charge and waste disposal fees. The tax is higher on industrial properties than on residential properties.

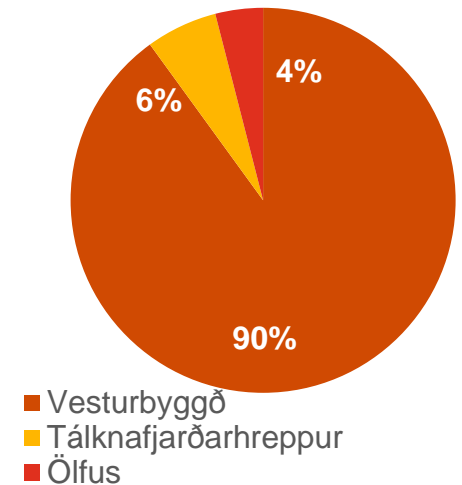
Paid property taxes in 2021 amounted to 7 million ISK compared to 5 million ISK in 2020.

Arnarlax paid municipalities 109 million ISK in various fees in 2021 compared to 118 million ISK in 2020, of which catch dues amounted to 87 million ISK. Most was paid to Vesturbyggð in 2021, or 98 million ISK.

Fees to municipalities



Municipalities 2021



Other fees to municipalities amounted to 109 million ISK in 2021 and decreased by 7% between years.

# 10 Certifications

## ASC Certification

All production of Arnarlax is ASC certified. ASC (Aquaculture Stewardship Council) is one of the strictest certifications when it comes to fish farming and is known and is sought-after in demanding markets throughout the world.

ASC certification has been developed by World Wildlife Fund (WWF) and to get certified companies must limit environmental effects and operate in agreement with the community and the employees of the company.

Companies that are ASC certified are committed to limiting the effects on environment in various ways. Consideration must be taken towards wild salmon populations, birds, marine mammals and other organisms that reside in the vicinity of the fish farms.



## Equal Pay Certification

Arnarlax has been granted the Equal Pay Certification, which are designed to eliminate gendered pay differences and adhere to the equality of all genders in the workforce. The certification is based on the Equal Pay Standards ÍST85.



## Food Safety certification

Arnarlax got the British Retail Consortium (BRC) food safety certification for its processing operation in Bíldudalur in the Westfjords region. As the BRC Food Safety standard is recognised by the GFSI (Global Food Safety Initiative), the certification provides businesses with international recognition for food safety.



