

Community Footprints of Arnarlax 2022



14 March 2023





Table of Contents

01 Community Footprints

03 Summary

05 Salary-related taxes

07 Fees to environmental fund

09 Other taxes / fees and grants

11 Community projects

02 About Arnarlax

04 Income tax

06 Pension payments

08 Resource tax

10 Certifications

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.

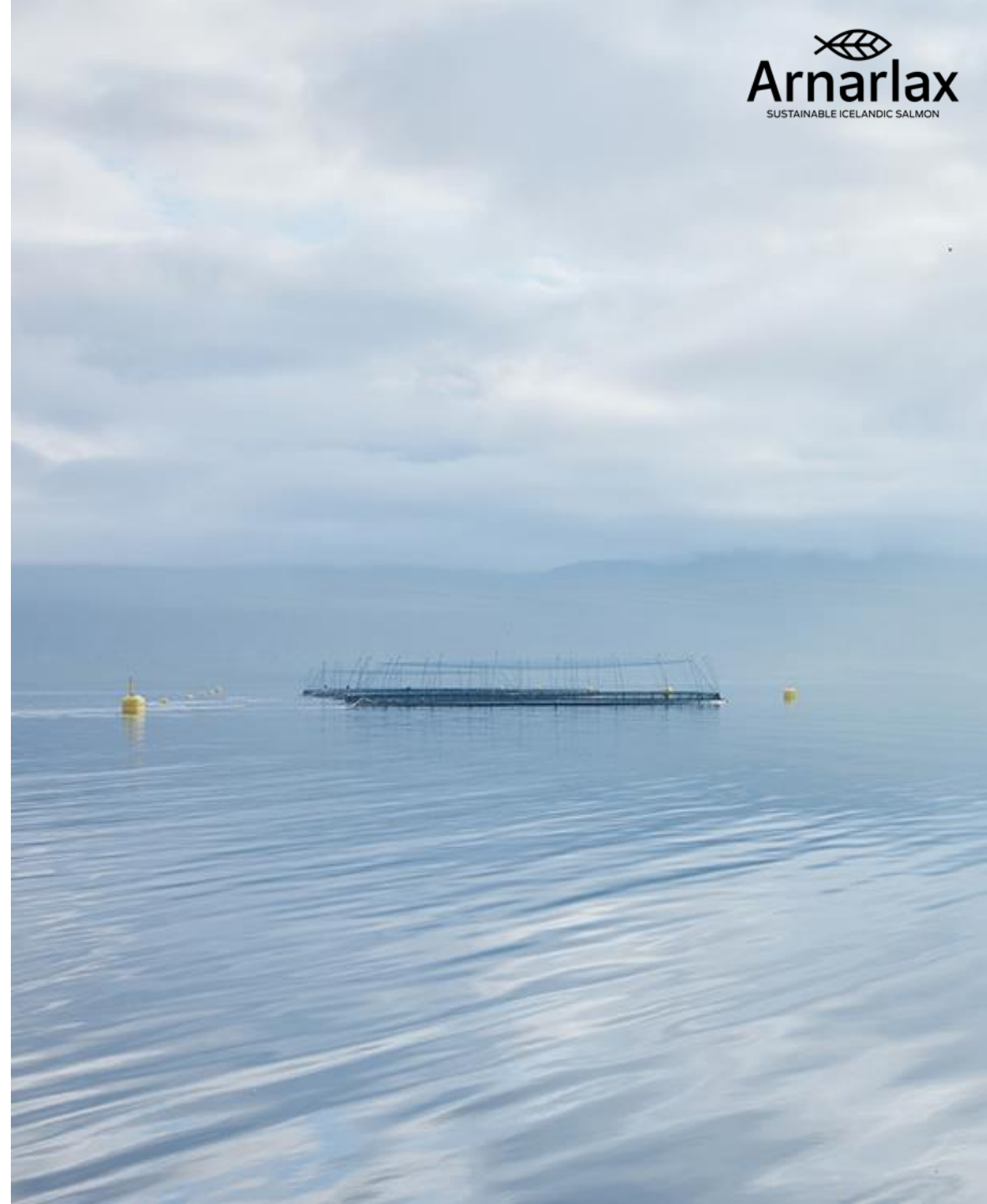
This is a short summary that provides information regarding what taxes and fees the company is paying. Furthermore, other information is presented that is considered to increase the understanding of the value the company creates with its operation.

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.



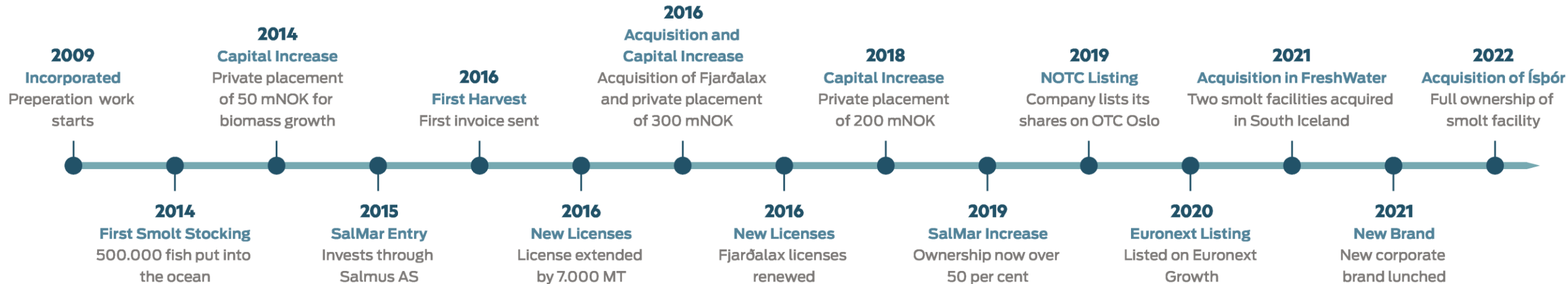
02 About Arnarlax

Arnarlax a subsidiary of Icelandic Salmon AS, was founded in 2009 in Bíldudalur, a small Icelandic village inside a long fjord called Arnarfjörður. Bíldudalur is the hometown of the company’s founder, Matthías Garðarsson, who knew that the area had excellent conditions for farming salmon. Today, the company is Iceland’s biggest aquaculture company. Modern salmon farming is relatively new in Iceland compared to our neighbours in the Faroe Islands, Scotland and Norway. The company’s vision is „Sustainability – it’s in our nature“, so to be sustainable in every aspect of its operations and lead the way in terms of cost efficiency, biology and the development of the whole value chain for salmon farming in Iceland.

The Group successfully completed a private placement in the autumn of 2020 followed by a listing on Euronext Growth. At the end of 2022, SalMar owned 51 per cent of the shares in the company. The company is fully integrated with its own hatcheries, sea farms, harvesting plant and sales department. The natural conditions, with good quality seawater and temperatures on a par with northern Norway, provide a sound basis for engaging its sustainable aquaculture in Iceland.

The company has its headquarters and harvesting plant in Bíldudalur in Iceland’s West Fjords region, close to the sea farms located in surrounding fjords. In addition, the company has an office facility in Reykjavík and four smolt facilities, whereby one is located in the West Fjords, and three on the south coast of Iceland.

Products of aquaculture are close to 5,5% of total exports product value from Iceland. Compared to the quantity harvested through Arnarlax’s harvest plant, it can be assumed that at least 2.5% of total exports product value comes from Arnarlax and over 3% go through Arnarlax’s Harvest Plant.



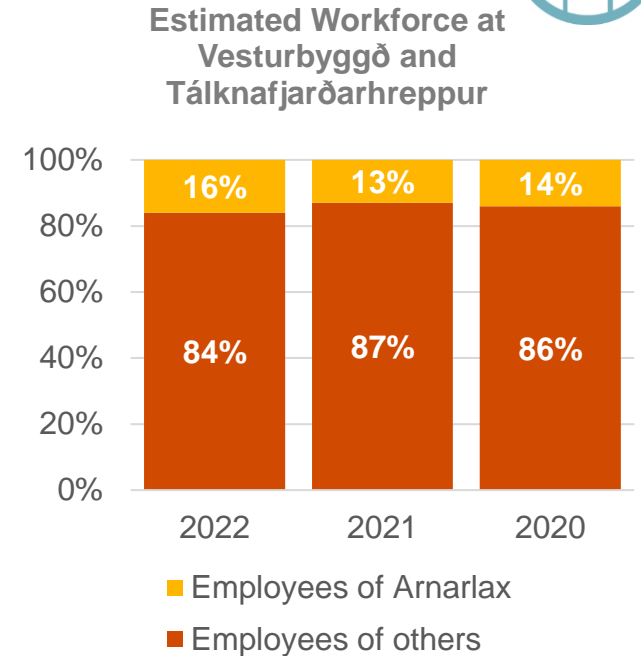
02 About Arnarlax

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 2022 Arnarlax had an average of 177 employees and at the end of the year employees were 199, of which 132 employees were residing in Vesturbyggð and Tálknafjarðarhreppur. Approximately 16% of estimated work units in the two municipalities worked for Arnarlax in 2022. Additionally, many inhabitants work in derived jobs that have been created as a result of the operation of Arnarlax.

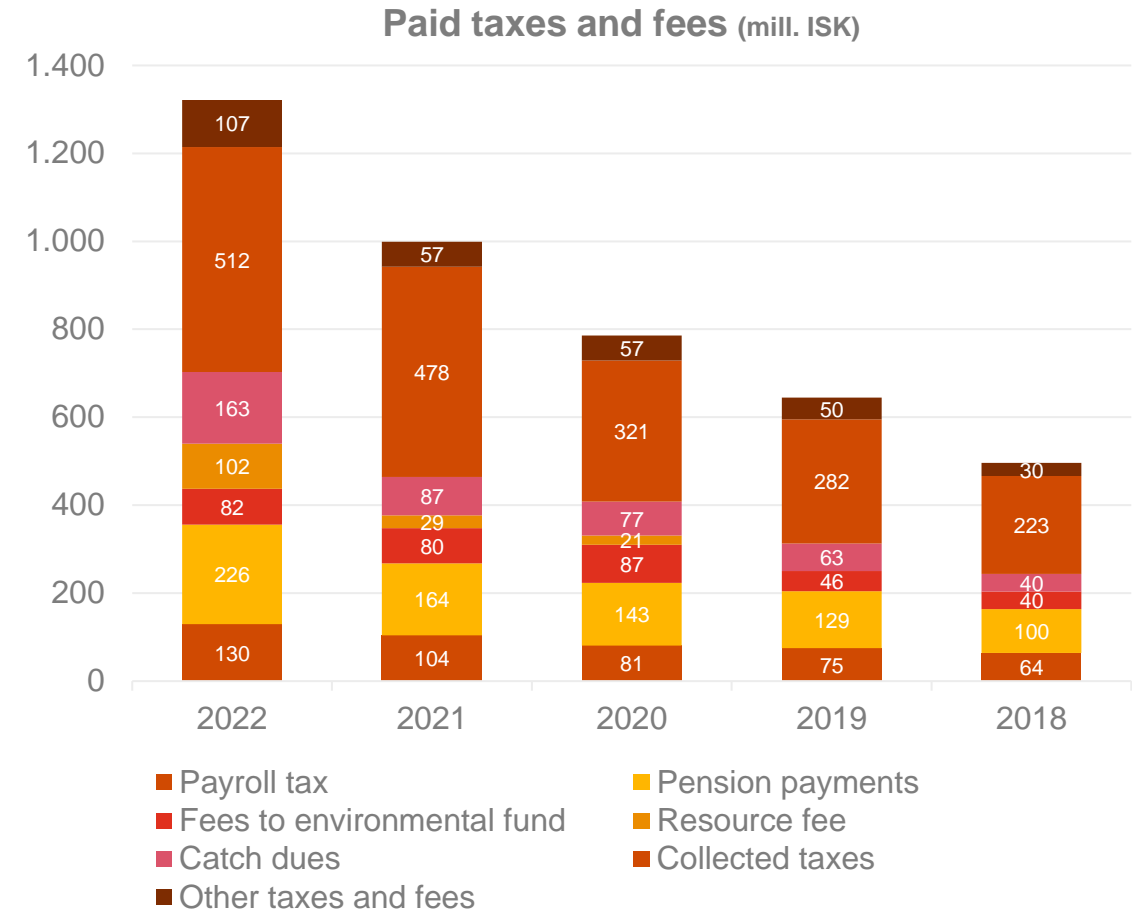
Information listed below regarding are obtained from the management of Arnarlax.

Value created to the community (million IKR)	2022		2021		2020		2019	
	Iceland	Of wich is Arnarlax operating territory	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)	2.469,3	1.852,0	1.828,1	1.537,2	1496,6	1.213,6	1262,7	1.137,6
Payments to Icelandic service parties	3.329,2	907,6	3.001,0	867,0	2488,3	1.185,9	1337,2	754,5
Goods purchased from Icelandic parties	808,9	64,8	360,0	65,2	293	90,4	819	46,6
Taxes and fees to state and municipalities	1.095,9	499,6	834,6	294,1	643,3	238,1	515,2	198,2
Payments to pensionfunds	226,0		163,8		142,8		129,1	
Total taxes and fees	1.321,9		998,4		786,1		644,3	



03 Summary

Paid taxes and fees (million ISK)	2022	2021	2020	2019	2018
Payroll tax	129,7	103,9	80,8	75,1	63,9
Pension payments	226,0	163,8	142,8	129,1	99,8
Fees to environmental fund	81,8	80,0	86,5	45,7	39,9
Resource fee	102,2	29,2	21	-	-
Catch dues	162,8	87,4	76,8	63,1	39,7
Other taxes and fees:					
Fees to port funds	29,8	21,3	29,4	15	6,3
Direct excise duties and tariffs	18,0	13,2	9,7	12,5	9,2
Property tax	20,8	7,1	4,9	5,2	4,9
Other	38,6	14,9	13,1	16,8	9,3
	809,8	520,8	465	362,5	273
Collected taxes					
Withholding tax	499,6	467,2	315,6	275,9	218,7
Other taxes of employees	12,5	10,4	5,5	5,9	4,1
	512,1	477,7	321,1	281,8	222,8
Total taxes and fees	1.321,9	998,4	786,1	644,3	495,8



Arnarlax returned an operating profit for the year 2022 and will pay income tax in 2023, 149 million ISK. Taxable profit before the utilization of tax losses carried forward from previous years amounted to 3,974 million ISK.

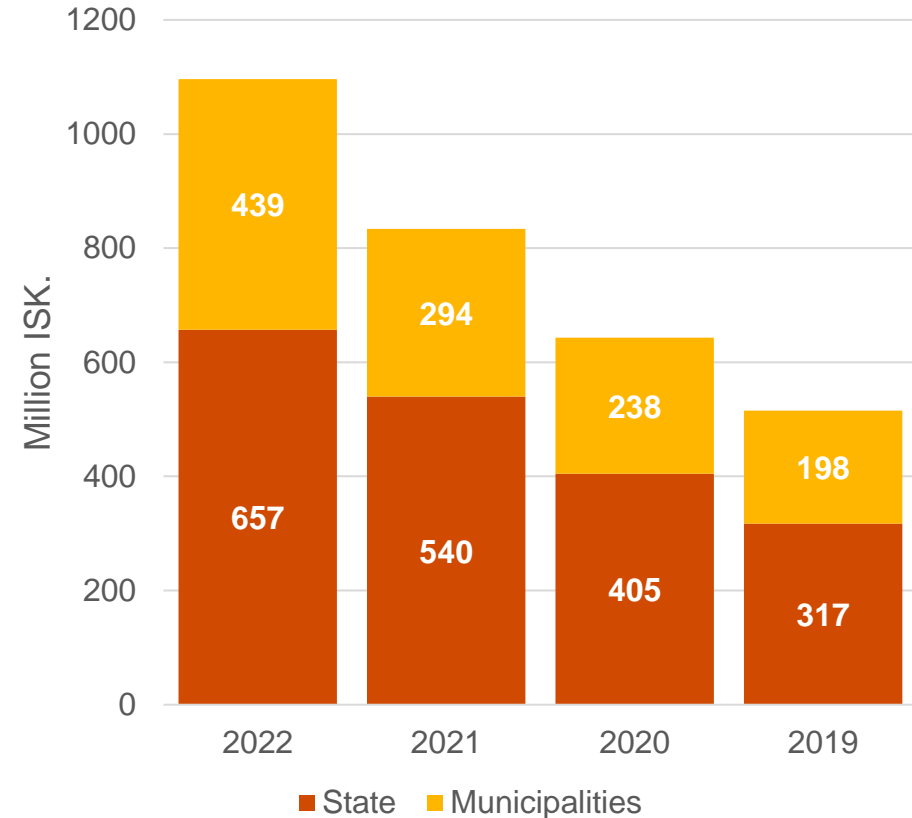
03 Summary – State and Municipalities

Taxes and fees of Arnarlax to state, municipalities and pension funds amounted to 1.322 million ISK for the year 2022. Payments to state and municipalities amounted to 1.096 million ISK and increased by 31% between 2021 og 2022.

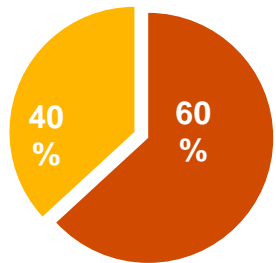
The increase is mostly attributed to an increase in taxes and fees for salaries, increase in resource fee and chatch fee. Proportional division between state and municipalities shows that the Municipalities´s share increases between the years, from 35% in 2021 to 40% in 2022.

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

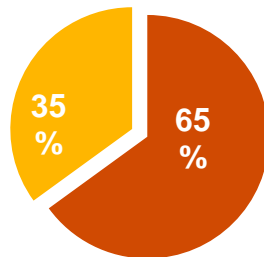


State and municipalities 2022



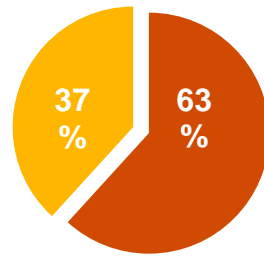
■ State
■ Municipalities

State and municipalities 2021



■ State
■ Municipalities

State and municipalities 2020



■ State
■ Municipalities

04 Income tax

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%. Remaining operating losses from the last ten years prior to the income year can be deducted from business income, according to Icelandic tax laws, provided that an adequate accounting has been made for the operating loss and its balance in the income year when the loss occurred.

The Arnarlax group has been growing for the last few years and at the same time income tax has not been paid, but the company has been running at a loss and has acquired an income tax relief because of this.

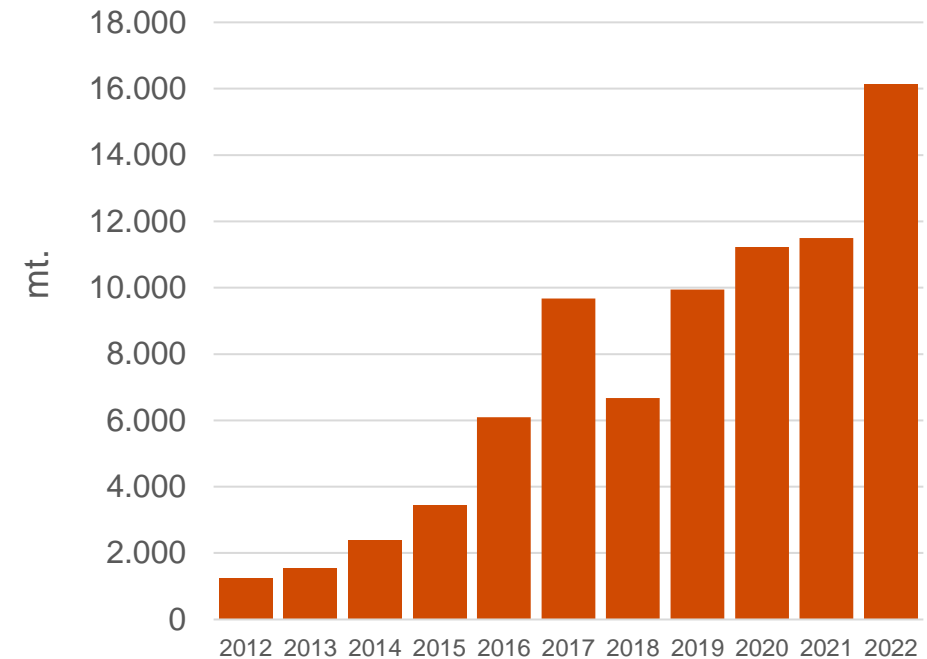
Arnarlax returned an operating profit for the year 2022 and will pay income tax in 2023, 149 million ISK. Taxable profit before the utilization of tax losses carried forward from previous years amounted to 3,974 million ISK. In the end of year 2022 Arnarlax had used all of its tax reliefs from former operating losses. The company's operating plans expect a profit in the coming years and that the company will thereby pay income tax in coming years.

Large investments have taken place at Arnarlax and the main focus in the years 2021 and 2022 has been in fish farms on land, as well as pens, barges and service boats. The company's total investments in 2022 were almost 5 billion IKR, which is in addition to almost 3 billion ISK in 2021.

After the large investments of the last years, there was a certain operational turnaround in 2022, lead by the increase in volume of harvest, which was 40% between 2021 and 2022. The company's plans assume continued investments at sea and land in order to fully utilize the company's production resources in the coming years and investments in the year of 2023 are expected to be around 4,5 billions IKR.

The picture below shows how harvested amount has increased from 2012 to 2022. In addition, the company slaughters for a third party, which further strengthens the pillars of the economy in the region.

Harvested amount in the years 2012 to 2022 (mt.)



05 Salary-related taxes

The average number of employees in 2022 at Arnarlax was around 177 compared to 137 employees in 2021. Additionally, Arnarlax employs contractors for various assignments.

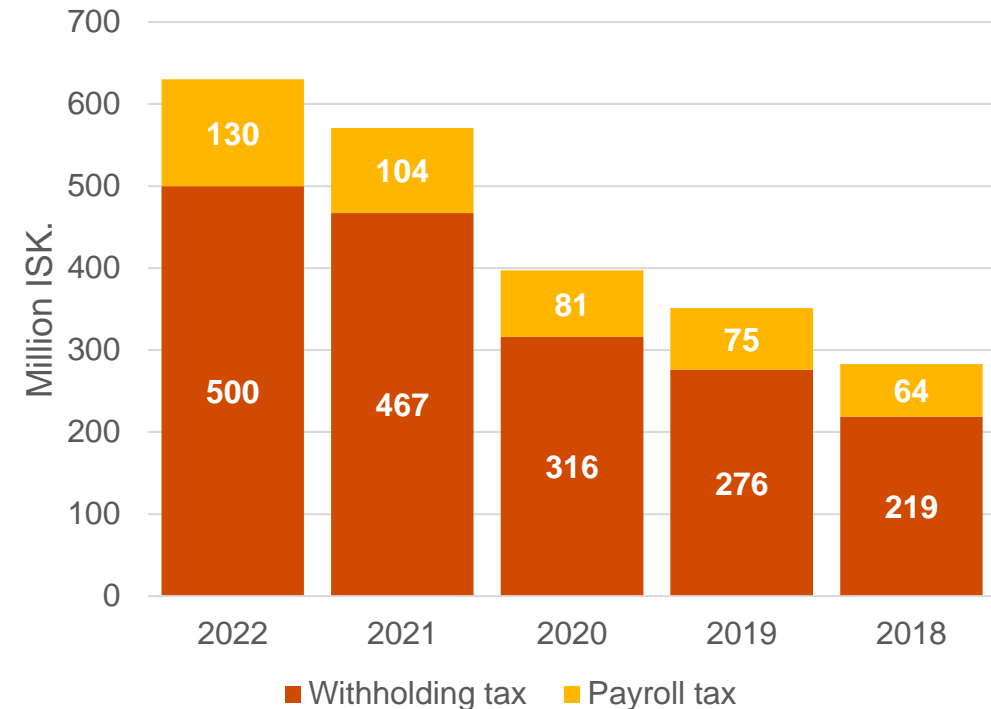
In addition to the direct jobs in fish farming that Arnarlax creates, derived jobs are created in service and increased administration. Examples of the derived jobs created by fish farming are service jobs, jobs in produce and feed transportation, inspection jobs and many more.

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 expense of Arnarlax for salary, payroll tax and pension payments amounted to 2.171 million ISK in 2022 compared to 1.543 million ISK in 2021. In 2022 Arnarlax returned 500 million ISK in withholding tax and paid 130 million ISK in payroll tax. In 2021 Arnarlax returned 467 million ISK in withholding tax and paid 104 million ISK in payroll tax.

Taxes paid of employees salaries



Salary-related taxes amounted 630 million ISK in 2022, of which 500 million ISK were withholding tax and 130 million ISK in payroll taxes. Increase between years was 10%.

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.

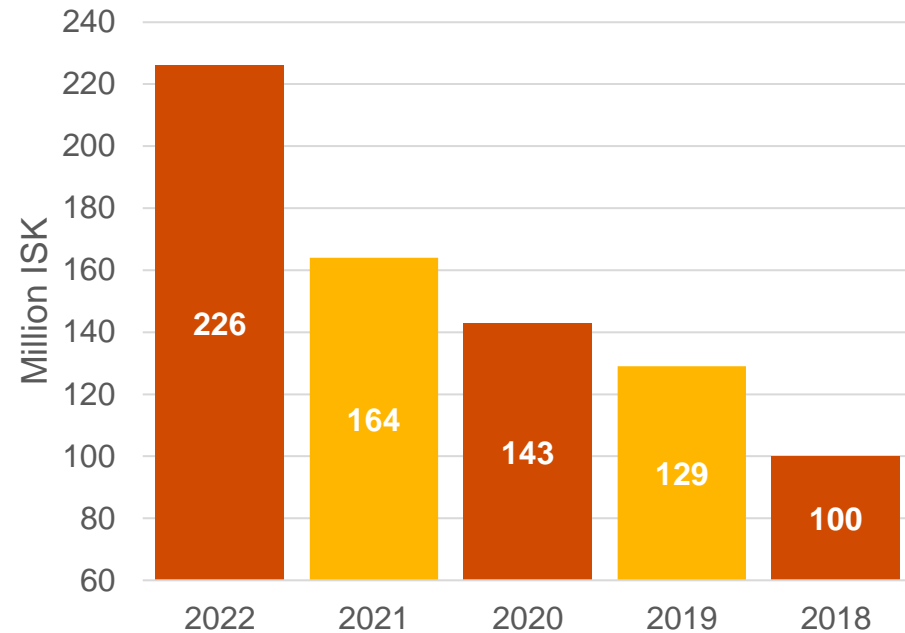
Around 44% of employees have chosen to pay voluntary pension insurance premiums in 2022, compared to 47% in 2021. Of those who pay voluntary pension insurance premiums, 70% have chosen to pay 4% of their salaries to private pension savings funds.

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

Total payments towards employees' pension insurance funds in 2022 amounted to 226 million ISK, compared to 164 million ISK in 2021. In 2020 the total payments amounted to 143 million ISK, 129 million ISK in 2019 and 100 million ISK in 2018.

The increase in pension payments between the years 2021 and 2022 was 38%. At the same time the increase in paid salaries was 42% and the growth in the average number of employees was 29%.

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 226 million ISK in 2022.

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.

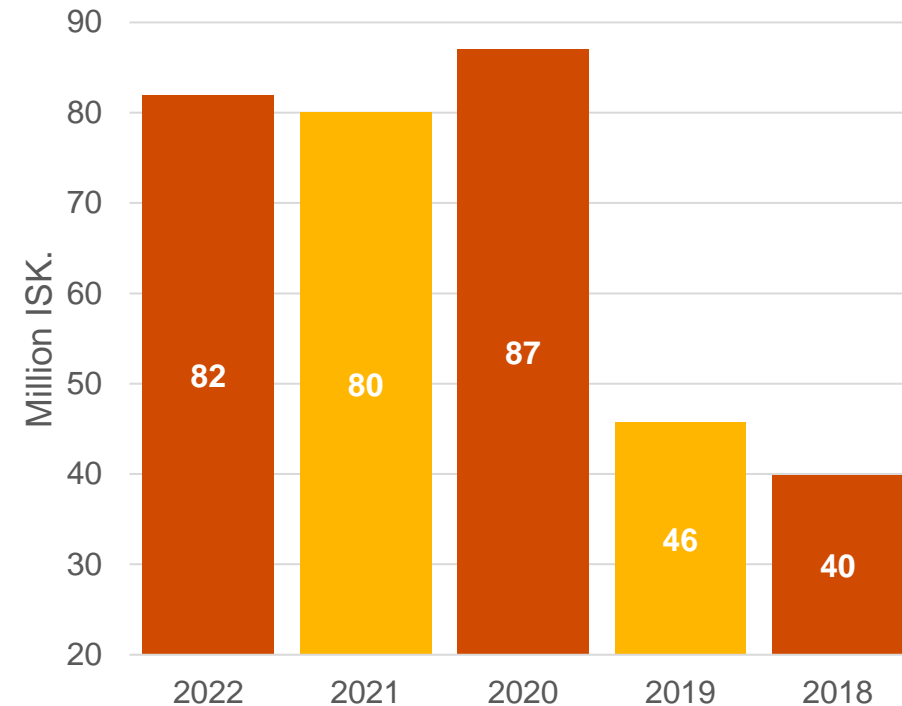
Holders of operational permits of fish farming pay a yearly fee to the fund and as such Arnarlax paid a total of 82 million ISK in 2022 compared to 80 million ISK in 2021, 87 million ISK in 2020, 46 million ISK in 2019 and 40 million ISK in 2018. Fee for operational permits are fixed fee of 20 SDR per. tonne in license, which was 23.700 tonnes at the end of 2022.

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 2022 the fund allocated 192 million ISK to ten different research projects. Three of the projects are lead by The Marine & Freshwater Research Institute and 118 million ISK were allocated to them in the year 2022.



Fees to environmental fund of fish farming



Fees to environmental fund amounted to 82 million ISK in 2022. Increase between years was 2,5%.

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 3/7 of the calculated fee in 2022 and will be 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.

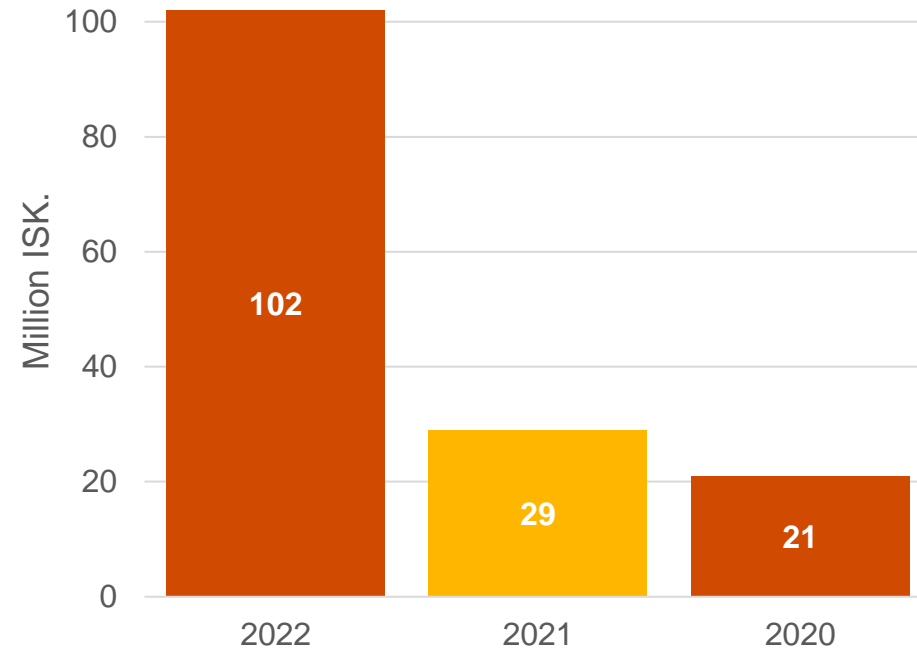
Resource fee imposed on Arnarlax amounted to 102 million ISK for the year 2022 and increases by 250% year-on-year as the fee amounted to 29 million ISK due to 2021. The reasons are multifaceted as the amount of slaughtered salmon increased by 40% between the years, the amount of fee per kilogram of slaughtered fish for the year was higher and for the year 2022 3/7 of the fee was collected instead of 2/7 for the year 2021.

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 2022 the fund allocated total of 185 million ISK to six projects. Four grants were given to Vesturbyggð and Tálknafjarðarhreppur, total of 66 million ISK.



Resource fee



Resource fee for fish farming in the sea amounted to 102 million ISK for the year 2022. Increase between years was 250%.

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 2022 amounted to 11 million ISK.

Oil and carbon tax

In 2022, 349 million ISK were expensed due to purchases of oil and gasoline, of which 56 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 68 ISK per liter in 2022 while the carbon tax was 12,05 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 2022 Arnarlax gave various grants towards community issues which amounted to a total of 19,3 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 13,4 million ISK in 2022.



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 and in the year 2022 it got full ownership of the smolt Íspór in Þorlákshöfn. In relation to these operating stations the company pays various fees that flow to the municipalities.

Catch dues are paid to the port fund of Vesturbyggð and they amounted to 163 million ISK in 2022 compared to 87 million ISK in 2021. 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 6,5 million ISK in 2022 compared to 4,3 million ISK in 2021.

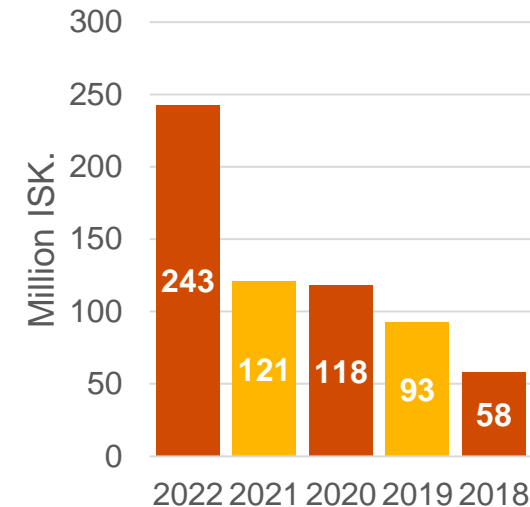
Other fees to port funds, including port fees and storage permits, amounted to 30 million ISK in 2022 compared to 21 million ISK in 2021.

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.

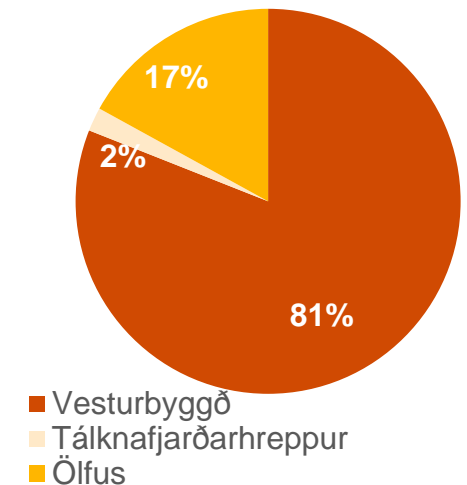
Paid property taxes in 2022 amounted to 21 million ISK compared to 7 million ISK in 2021. The increase is mainly because of property taxes in Ölfus because of full ownership of Íspór.

Arnarlax paid municipalities 243 million ISK in various fees in 2022 compared to 121 million ISK in 2021, of which catch dues amounted to 163 million ISK. Most was paid to Vesturbyggð in 2022, or 197 million ISK.

Taxes to municipalities



Municipalities 2022



Other fees to municipalities amounted to 243 million ISK in 2022 and decreased by 100% between years.

10 Certifications

ASC Certification

All production of Arnarlax is ASC certified. ASC (Aquaculture Stewardship Council) is one of the stringiest 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.

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. In the year 2022 Arnarlax was upgraded from grade B to grade A by GRCGS.

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.



11 Community projects

Co-operation for education in aquaculture

On January 6, 2022, Arnarlax and the Ísafjörður High School signed a cooperation agreement along with the aquaculture companies Arctic Fish and Háafell for secondary school education in aquaculture in collaboration with Westfjords Regional Development Office (Vestfjarðastofa).

In the Westfjords, as in other parts of Iceland, fish farming as an industry is growing rapidly and there is a great shortage of educated personnel to respond to that growth.

A new course that will be led by the Ísafjörður High School is entitled “The Ocean, the Environment and Resources.” („Hafið, umhverfið og auðlindir”).

This course is a result of analytical work carried out by the educational center of Westfjords (Fræðslumiðstöð Vestfjarða) on educational needs in aquaculture in connection with the European project Blue Mentor.

Arnarlax will provide knowledge and access to the company for teaching and sharing knowledge to students. Arnarlax's contribution is in the form of a labor contribution, facilities and financial support of 3 million ISK.

The program is scheduled to start in the fall of 2023, but cooperation between Arnarlax and the school will continue.



11 Community projects

Museum about Gísli from Uppsafir in Selárdalur

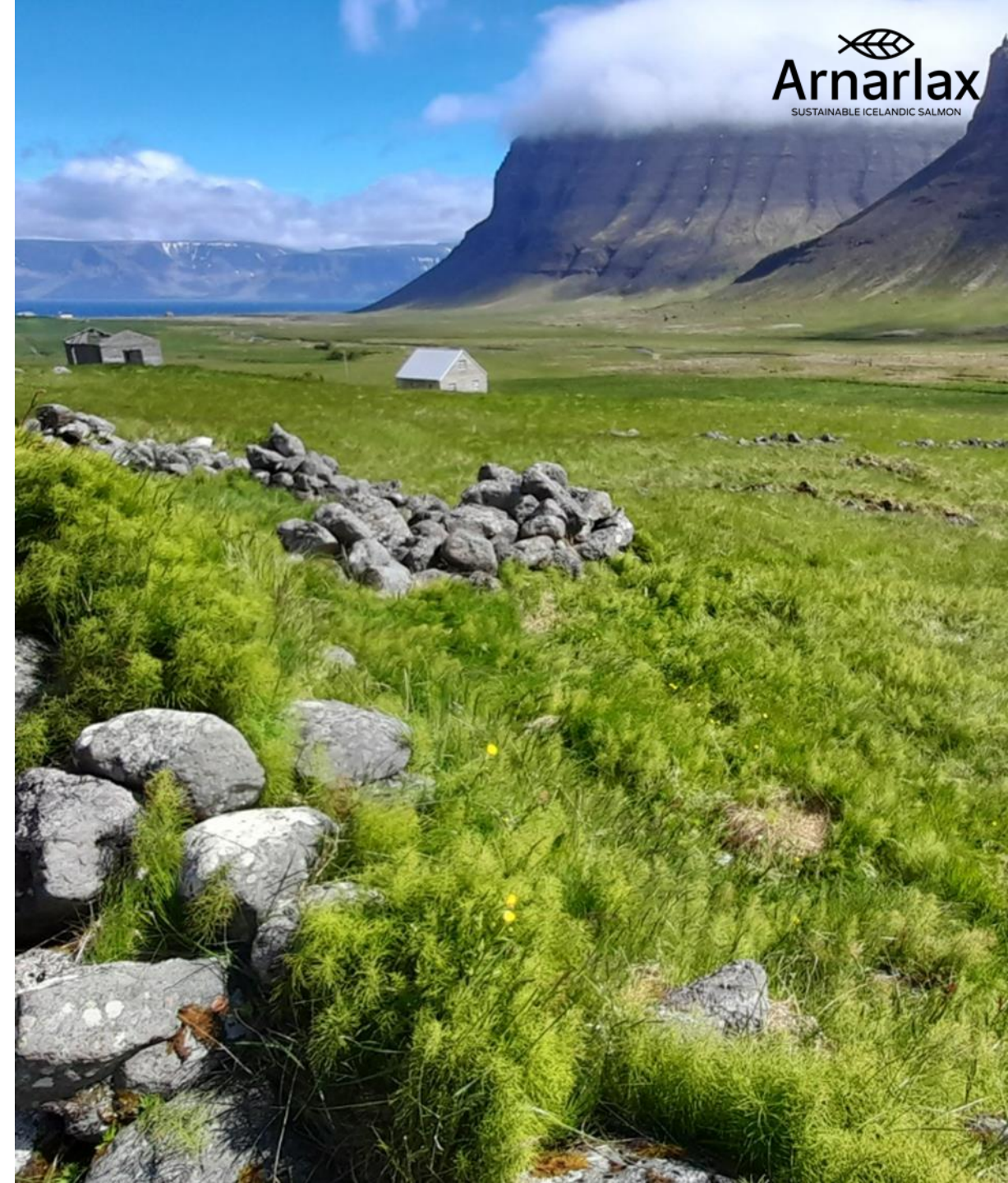
Arnarlax has agreed to support the Association for the Museum of Hostages in Uppsafir by 9 million ISK during the construction of the museum. The scholarship will be used in improving access to Uppsafir, renovation of housing, providing information to travelers and more.

Gísli Oktavíanus Gíslason, better known as Gísli from Uppsafir, became nationally known in 1981 when his story was told by Ómar Ragnarsson in Stíklur, a popular TV serie in Iceland. Gísli was a recluse, his house had neither electricity nor running water and his farming methods were considered ancient. Gísli was born in 1907 and lived at Uppsafir, in Selárdalur until he died in 1986.

Construction began in 2022. The project is described as building up and establishing a museum and exhibition about the life story of Gísli from Uppsafir and his surrounding community in the Westfjords Region. Humbleness, sustainability, creation and endeavours are some of the key factors in the themes in the museum/exhibition where his incredible life story will be displayed and introduced to the new generation of visitors in a fitting, harmonious, scholarly and fun new way.

Those in charge of the Association for the Museum of Gísli in Uppsafir foresee that the museum will further increase the interest of tourists in the area. Their hopes are to open the museum in 2025.

Arnarlax welcome this commendable initiative to preserve Uppsafir and the western cultural values that are involved in keeping Gísli's heritage alive.





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