

Community Footprints of Arnarlax 2023



28 apríl 2024





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

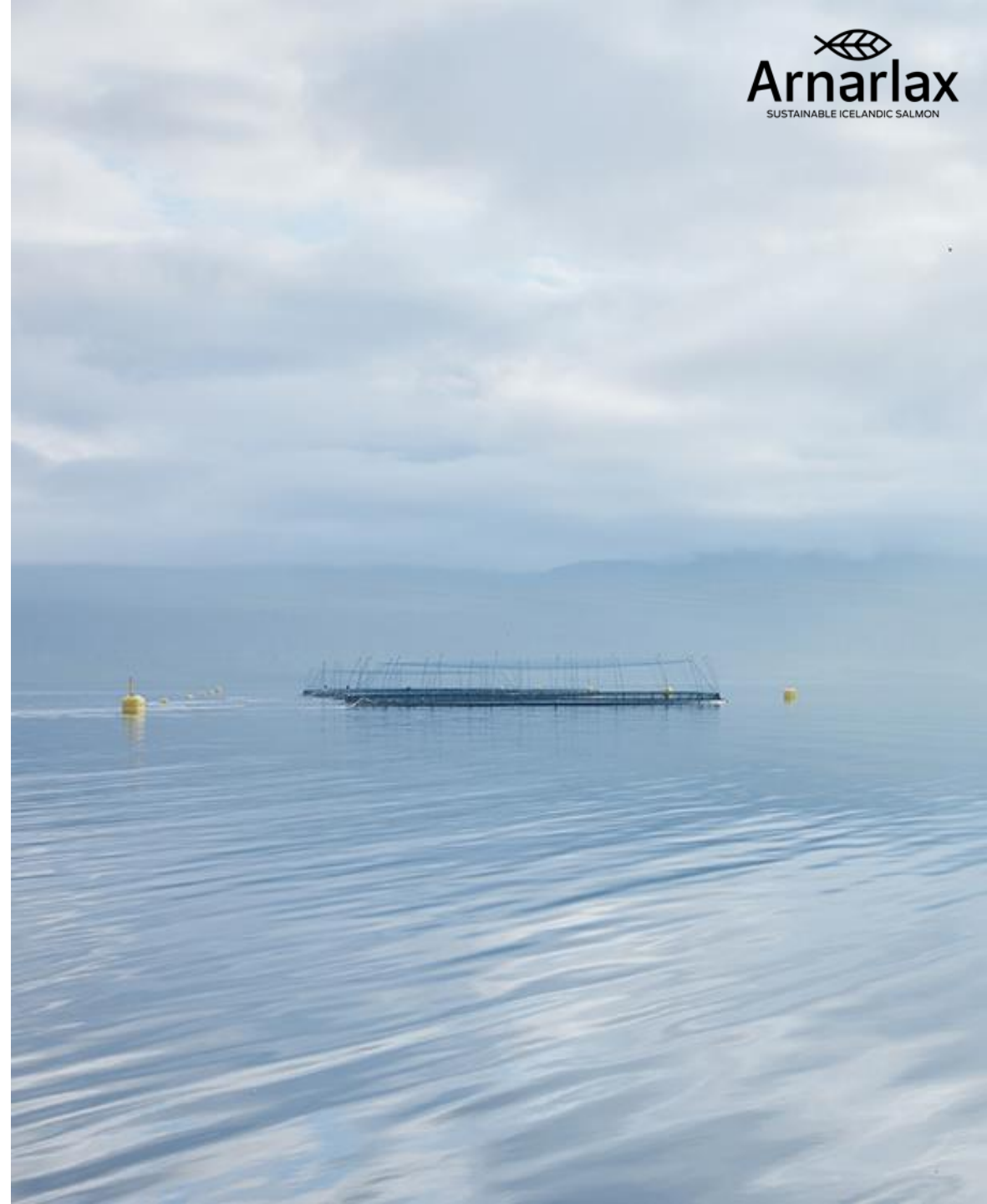
01 Community Footprints

What are community footprints?

Community footprints offer Icelandic companies a straightforward method to illustrate their contributions, direct and indirect to society, including tax and government fee payments. This document outlines the specific taxes and fees paid by Arnarlax and its subsidiaries for the 2023 operational year, alongside additional data meant to explain the company's value generation through its activities.

Community footprints aim to provide a comprehensive view of all contributions to society, including public authorities, thereby offering a clearer understanding of a company's overall community impact, and a factual basis for discussion about its impact on Iceland and its people, now and in the future.

This report on community footprints delivers an in-depth look at the tax and fee contributions of Arnarlax, aiming for enhancing public knowledge of their tax practices and quickly addressing any questions or misconceptions that may arise in public discourse or media coverage. It draws from Arnarlax's draft consolidated financial statements, public authority data, and management information, detailing all financial amounts in Iceland's national currency, the Icelandic Krona (ISK), to give a comprehensive overview of Arnarlax's community footprint.



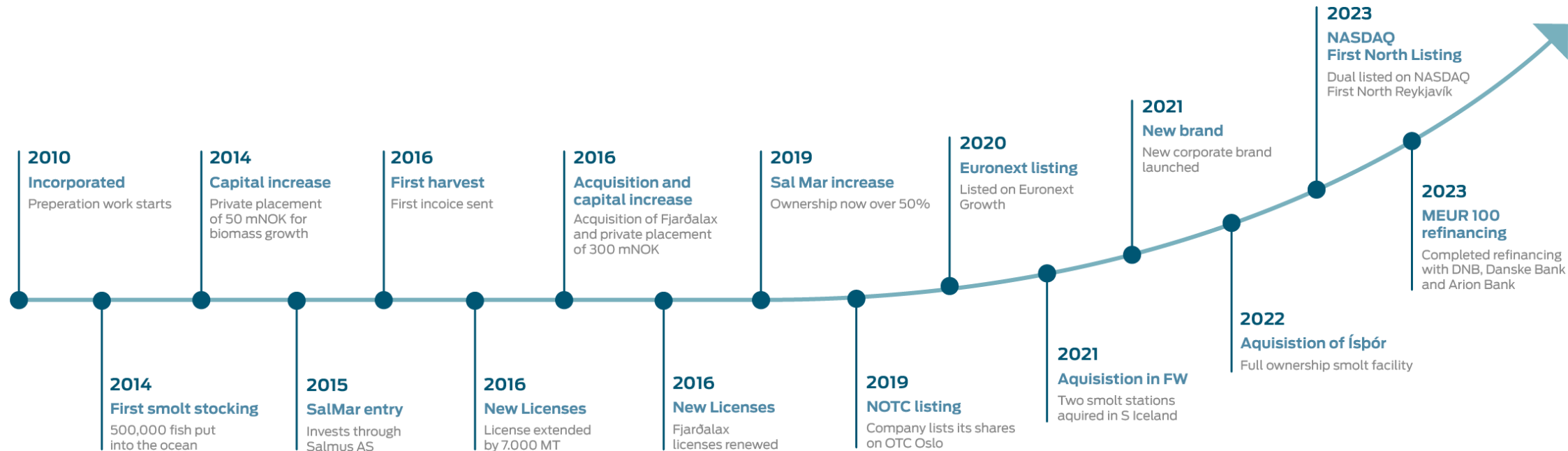
02 About Arnarlax - timeline

Arnarlax ehf. was founded in 2010 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.

Arnarlax ehf. is a subsidiary of Icelandic Salmon AS (referred to as the "Group"), which successfully completed a private placement in the autumn of 2020 followed by a listing on Euronext Growth. The Group also successfully completed a dual listing on NASDAQ First North Reykjavík in the fall of 2023.

At the end of 2023, SalMar ASA owned 52% of the shares in the Group. The company is fully integrated with its own hatcheries, sea farms, harvesting plant and sales department.

The company strongly believes in sustainable aquaculture production in Iceland and in 2023 the company completed a refinancing with DNB, Danske Bank and Arion bank, with a sustainable linked loan facility in the effort to underline the company's beliefs.



02 About Arnarlax - value creation

The company contributes to the community in various ways, including paying salaries and related expenses, purchased services, purchased goods, payment of financial fees, grants, in addition to the payment of taxes and fees to public authorities.

In 2023, Arnarlax and its subsidiaries had an average of 193 employees, of which 137 employees were residing in Vesturbyggð and Tálknafjarðarhreppur. Approximately 16% of estimated work units in the two municipalities worked for Arnarlax in 2023.

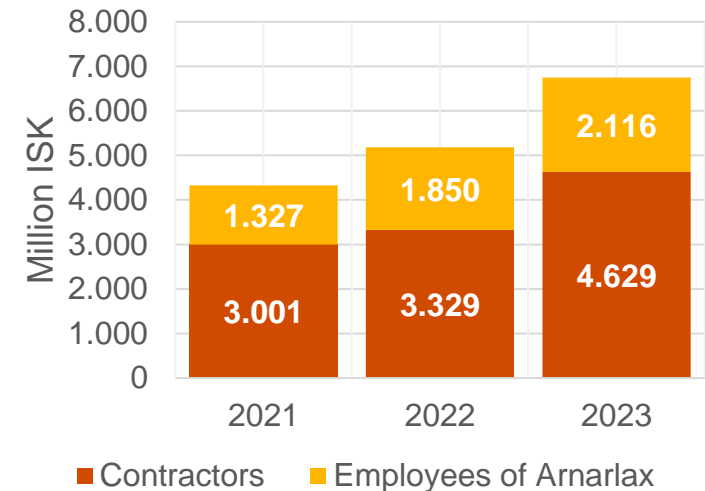
Additionally, many inhabitants work in derived jobs that have been created as a result of the operation of the company.

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



Value created to the community (million ISK)	2021		2022		2023	
	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)	1.327	1.116	1.850	1.388	2.116	1.587
Payments to Icelandic service parties	3.001	867	3.329	908	4.629	908
Goods purchased from Icelandic parties	360	65	809	65	854	65
Total contribution	4.688		5.988		7.598	

Salaries of employees of Arnarlax and contractors



02 About Arnarlax - export value

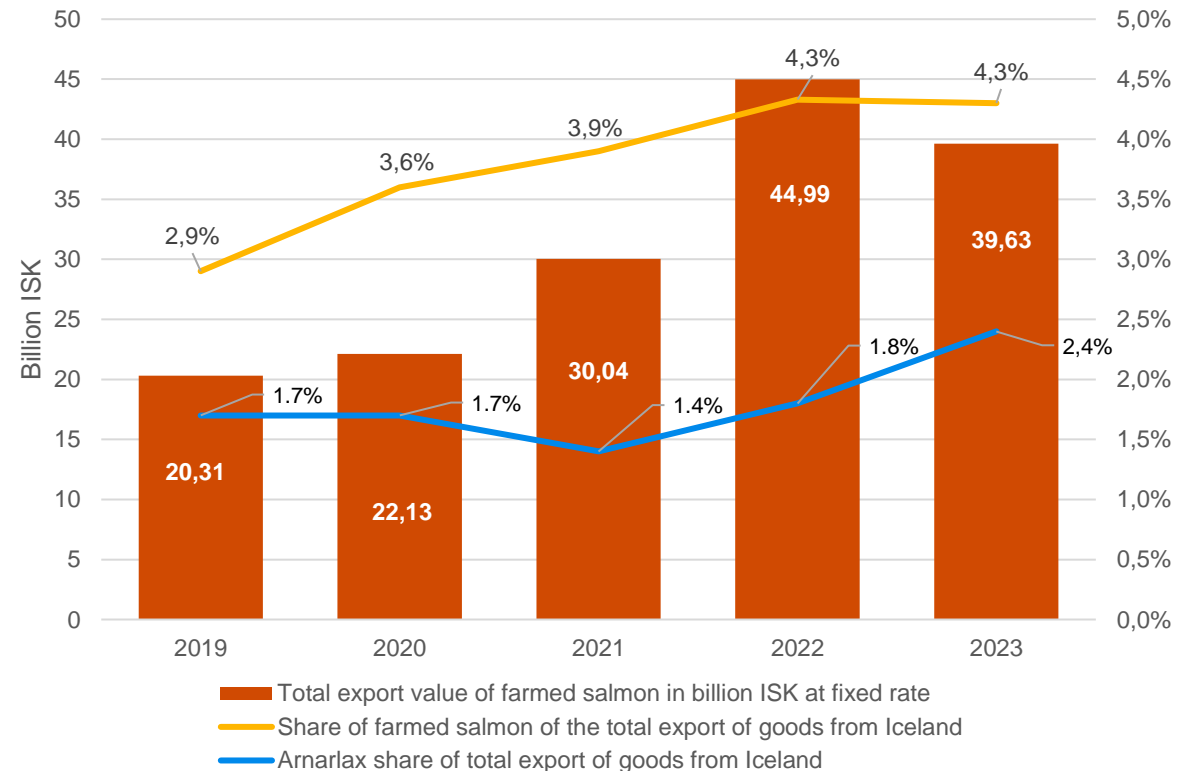
Farmed salmon has been steadily growing part of Iceland export over the years. From 2019 – 2023 has the proportions in farmed salmon grown about 152% in exports tonnes, 210% in value based on fixed ISK rate.

According to Statistics Iceland (Hagstofan), the total export value from farmed salmon was around 40 billion ISK or 4.3% of all goods export from Iceland.

Total farmed salmon exported from Iceland in the year 2023 was 31,441 tonnes and out of that 57% was Arnarlax production. From those figures, it can be estimated that 2.4% of total export value from Iceland is a Arnarlax salmon.

This does not only show the significant effect of the farmed salmon to export revenues of Iceland, but also show the value creation that Arnarlax provides to the export value through farmed salmon.

Export value of farmed salmon



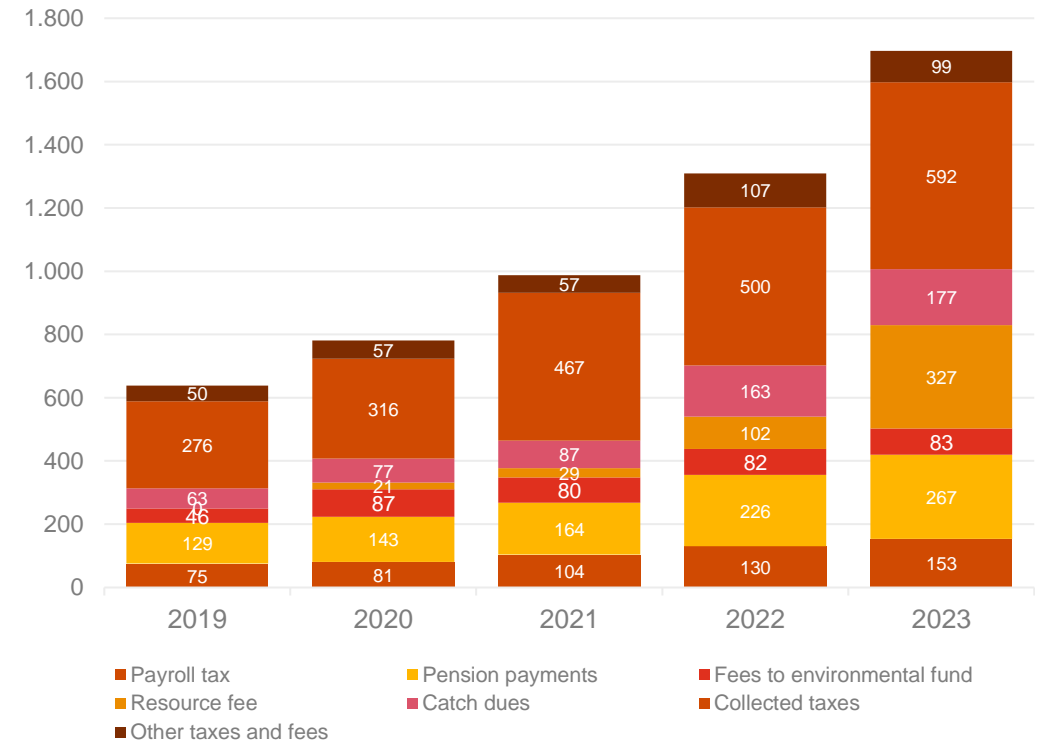
Total farmed salmon exported from Iceland was 31,441 tonnes with 57% coming from Arnarlax. Farmed salmon was 4.3% of total export value of goods from Iceland in the year 2023.

03 Summary – excluding income tax

Below table shows a summary of total paid taxes and fees in million ISK excluding income tax.

Paid taxes and fees (million ISK)	2018	2019	2020	2021	2022	2023
Payroll tax	64	75	81	104	130	153
Pension payments	100	129	143	164	226	267
Fees to environmental fund	40	46	87	80	82	83
Resource fee	-	-	21	29	194	327
Catch dues	40	63	77	87	163	177
Other taxes and fees:						
Fees to port funds	6	15	29	21	30	21
Direct excise duties and tariffs	9	13	10	13	18	12
Property tax	5	5	5	7	21	23
Other	9	17	13	15	39	43
	273	363	465	521	902	1.106
Collected taxes						
Withholding tax	219	276	316	467	500	592
Other taxes of employees	4	6	6	10	13	8
Total taxes and fees, excl. income tax	496	644	786	998	1.414	1.705

Paid taxes and fees (mill. ISK)



Arnarlax paid 1.705 million ISK in 2023 in taxes, pension and various fees contributing around 300 million ISK more to the community than in 2022 which is an increase of 21%.

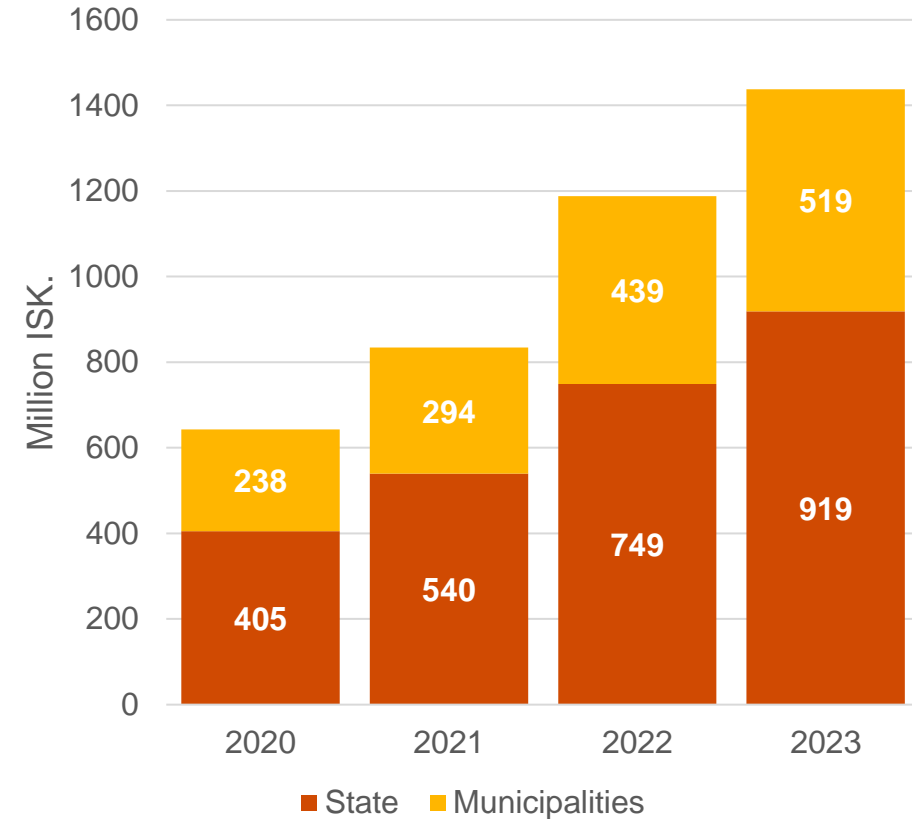
03 Summary – State and Municipalities

Taxes and fees of Arnarlax to state (excluding income tax), municipalities and pension funds amounted to 1.705 million ISK for the year 2023. Payments to state and municipalities amounted to 1.438 million ISK and increased by 21% between 2022 og 2023.

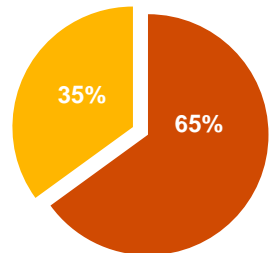
The increase is mostly attributed to an increase in taxes and fees for salaries, increase in resource fee and catch fee. Proportional division between state and municipalities shows that the states share increases between the years, from 63% share in 2022 to 64% in 2023.

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

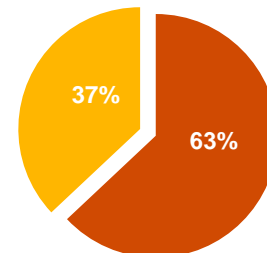


State and municipalities 2021



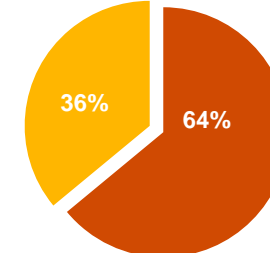
■ State
■ Municipalities

State and municipalities 2022



■ State
■ Municipalities

State and municipalities 2023



■ State
■ Municipalities

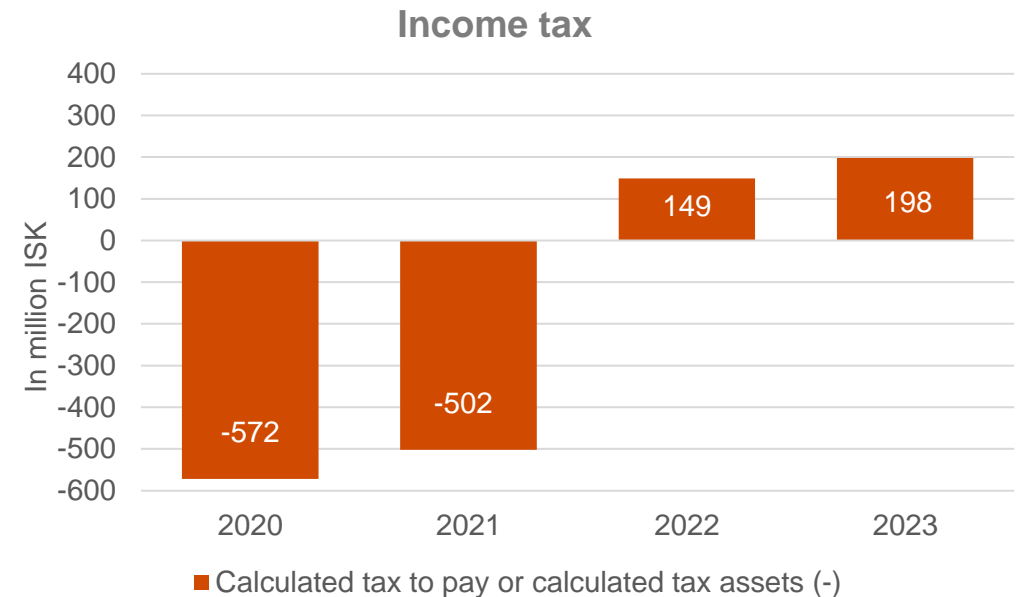
04 Income tax

Income tax is calculated for the year's profit. The amount is split into two, on the one hand tax that will be paid next year, and on the other hand is deferred tax that will be paid later.

The nature of salmon farming requires patient capital and high capital investments as the production cycle from hatchery to harvesting is up to 36 months. This means that during a growth period, which the company has been in since 2010, there is a long period of loss that accumulated over the years. This has created a carry forward loss for the company that the company utilized until end of year 2022 where the company had used all of its tax reliefs from former operating loss years.

Calculated Income tax for 2023 to be paid in 2024 is estimated around 359 million ISK, but because of investment in Ispór ehf. and a joint taxation in consolidations will the utilization of tax losses carried forward from previous years lower the tax to be paid to 198 million ISK for the year 2023. There are no tax asset at year end 2023.

In 2023, investments totaled 2.8 billion ISK, primarily in pens, cages, barges and other seawater equipment. These investments reflect the company's ongoing commitment to growth, with expectations of exceeding two billion ISK in investments for 2024.



Arnarlax will pay 359 million ISK in income tax from the 2023 income. Utilization of tax losses carried forward from previous years does lower the tax to 198 million ISK. Paid income tax was 149 million ISK in 2022.

05 Salary-related taxes

The average number of employees in 2023 at Arnarlax was 193, up from 177 employees in 2022. Additionally, Arnarlax employs contractors for various assignments.

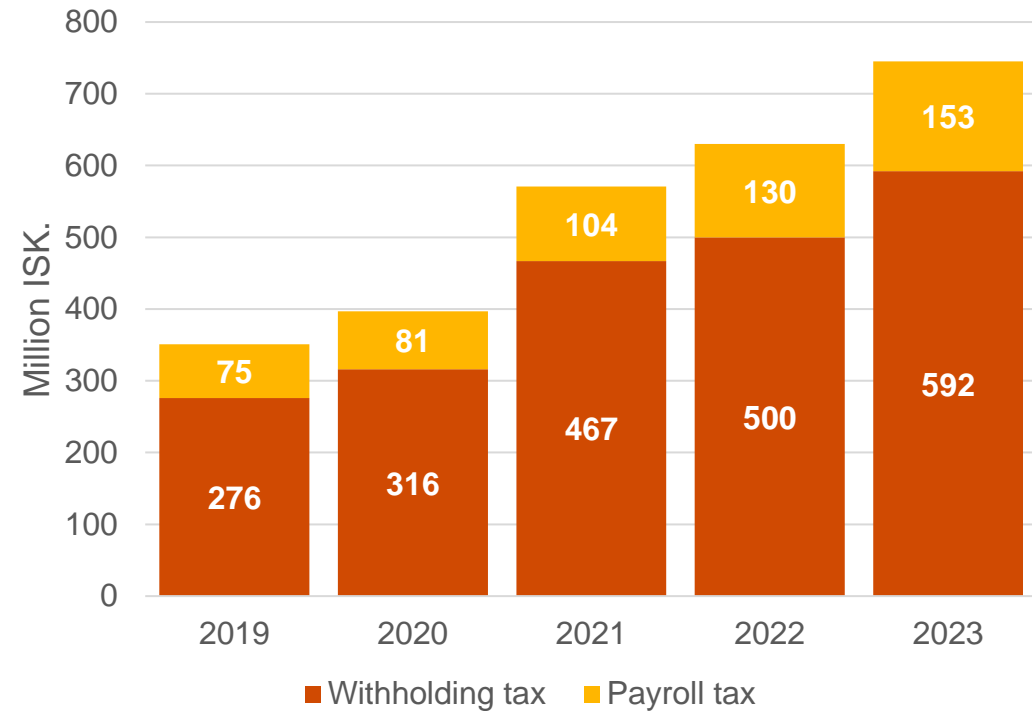
In addition to the direct jobs in fish farming, derived jobs are created in service and administration. Examples of the derived jobs are service jobs, jobs in produce and feed transportation, inspection jobs and many more.

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 income tax of individuals that is returned to the State and on the other hand 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.

Taxes paid of employees salaries



Salary-related taxes amounted 745 million ISK in 2023, of which 592 million ISK were withholding tax and 153 million ISK in payroll taxes. Increase between years was 18%.

06 Pension payments

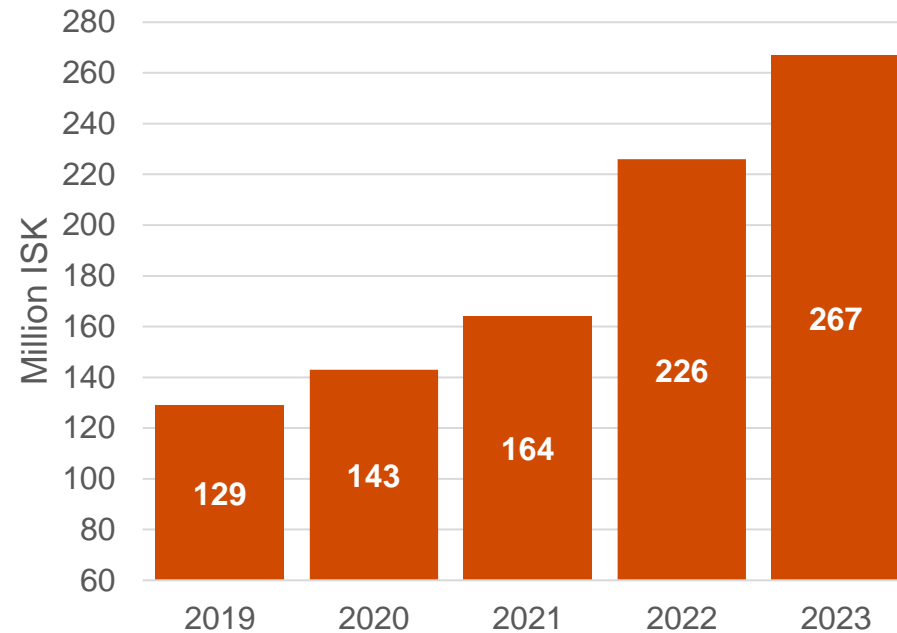
Employees of Arnarlax pay a mandatory 4% of their salary to pension insurance funds, in addition to being able to pay voluntary pension insurance premiums. Arnarlax pays 11.5% of the employees' salary in contribution to pension insurance funds, in addition to a contribution paid into the employees' voluntary pension insurance funds.

Around 56% of employees have chosen to pay voluntary pension insurance premiums in 2023, compared to 44% in 2022.

Total payments towards employees' pension insurance funds in 2023 amounted to 267 million ISK, compared to 226 million ISK in 2022. In 2021 the total payments amounted to 164 million ISK, 143 million ISK in 2020 and 129 million ISK in 2019.

From 2022 og 2023, pension payments and paid salaries increased by 18% and 14% respectively, and the growth in the average number of employees was 13.5%.

Pension payments



Arnarlax pays 11.5% of salaries to employees' pension insurance funds. Total pension payments amounted to 267 million ISK in 2023. Increase between years was 18%.

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 82.5 million ISK in 2023 compared to 82 million ISK in 2022. Fee for operational permits are fixed fee of 20 SDR per tonne in license, which was 23,700 tonnes at the end of 2023.

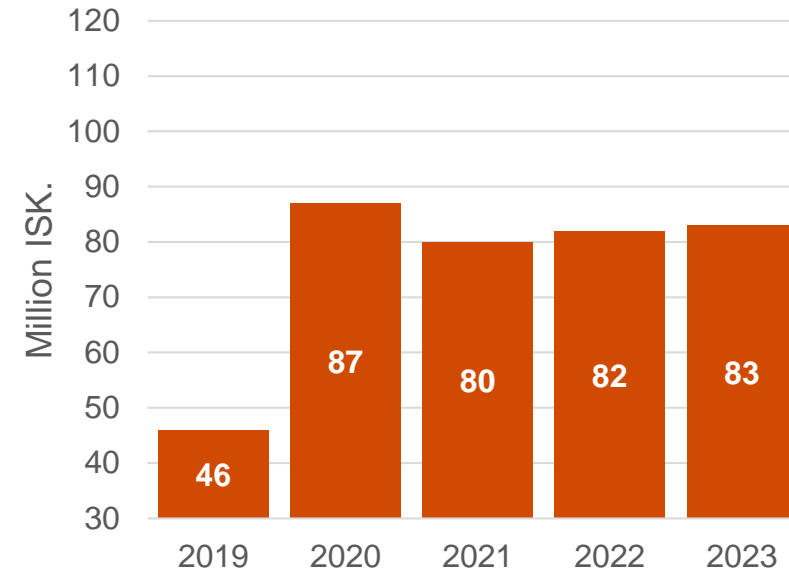
The fund fulfills its role by funding assignments, that revolve around adapting fish farming in Iceland to the environmental conditions in place in the country and thus limiting the environmental effect caused by fish farming. The fund pays the expenses of research of carrying capacity estimates, surveillance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

In 2023, the fund allocated 188 million ISK to three different research projects. All of the projects are led by The Marine & Freshwater Research Institute.

The fund will allocate 185.7 million ISK in 2024 in projects yet to be chosen.



Fees to environmental fund of fish farming



Fees to environmental fund amounted to 82,5 million ISK in 2023, an increase of 0.7% from 2022.

08 Resource fee

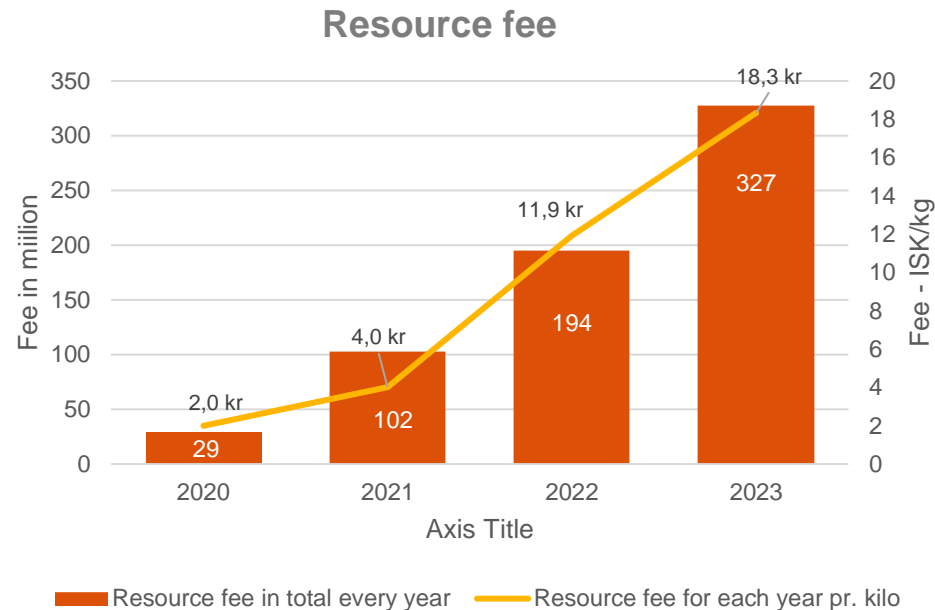
Law no. 89/2019 about fees for fish farming in the sea and Fish Farming fund was enacted in 2019 and the was assessed on fish harvested on January 1st 2020 and thereafter. The duty to pay the fee on fish farming in the sea lies on the holder of the operational permit of a fish farm.

The fee is determined by the average price of salmon in the prior year. NASDAQ average price set the foundation for calculation of the fee and determines the different fee percentage, the higher the price the higher the percentage. This base determines the fee per kilo by Head on Gutted (HOG) weight of the fish. In the implementation period, the fee is discounted to begin with. In 2023, the company paid 4/7 of the total fee and in 2024 the discounted fee will be 5/7.

In 2024 the highest fee category, set for the year, was changed from 3.5% to 4.2%, discount lowered and base price higher, representing approximately 106% increase of the fee between years.

The 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 2023 the fund allocated total of 248 million ISK to twelve projects. Four grants were given to Vesturbyggð, one to Tálknafjarðarhreppur and one to Bolungarvík, total of 127 million ISK.



Resource fee for fish farming in the sea amounted to 327 million ISK for the year 2023. Increase between years was 68,6%. Fee ISK/kg has increased 459% over the last two years.

09 Other taxes / fees and grants

Import duties

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 2023 amounted to 12 million ISK.

Oil and carbon tax

In 2023, 395 million ISK were expensed due to purchases of oil and gasoline, of which 9.4 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 72.85 ISK per liter in 2003 while the carbon tax was 13 ISK per liter. Oil for use on ships and boats are exempt from oil tax.

Grants

In 2023 Arnarlax gave various grants towards community issues which amounted to a total of 22.4 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 10.3 million ISK in 2023.



09 Other taxes and fees

Other fees to municipalities

Arnarlax has their main operation in Vesturbyggð and Tálknafjörður. 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 175 million ISK in 2023 compared to 163 million ISK in 2022. 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 2.5 million ISK in 2023 compared to 6.5 million ISK in 2022.

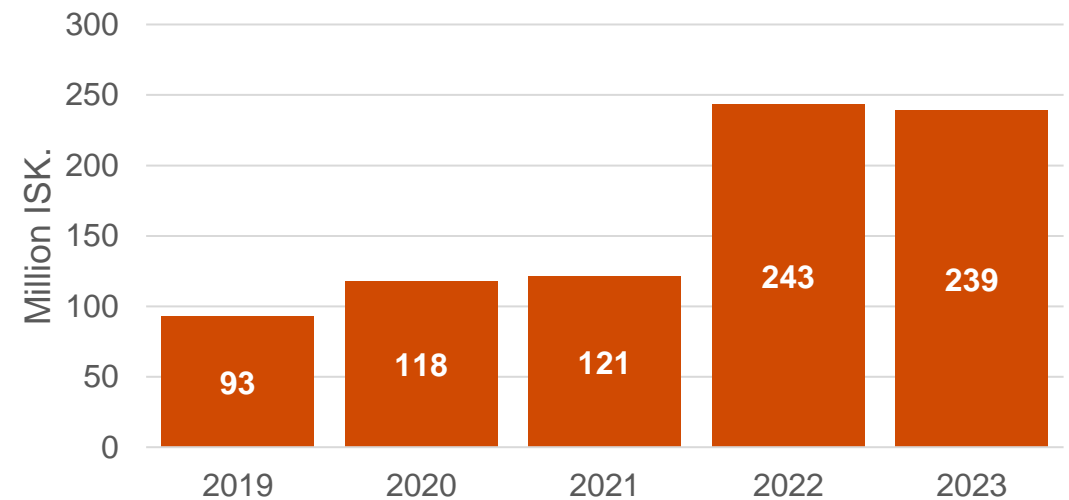
Other fees to port funds, including port fees and storage permits amounted to 21.3 million ISK in 2023 compared to 30 million ISK in 2022.

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 2023 amounted to 23 million ISK compared to 21 million ISK in 2022. The increase is mainly because of property taxes in Ölfus because of full ownership of Íspór.

Arnarlax paid municipalities 239 million ISK in various fees in 2023 compared to 243 million ISK in 2022, of which catch dues amounted to 177 million ISK. Most was paid to Vesturbyggð in 2023, or 173 million ISK.

Taxes to municipalities



Other fees to municipalities amounted to 239 million ISK in 2023.

10 Certifications

ASC Certification

All production within Arnarlax was ASC certified in 2023. This is important documentation for Arnarlax and its sustainability profile. With the ASC certification documents that the environmental and social responsibility impact of Arnarlax is acceptable and under good governance. It also states that the Arnarlax complies with laws and regulations and that employees are treated in fair way.



BRC Certification AA+

Supporting Arnarlax focus on Food Safety, Arnarlax harvest plant is BRC certified. This certification assures customers that they can eat Arnarlax excellent salmon without concerns related to food safety. Arnarlax received the BRC certificate in 2021 and in 2023 the overall score was upgraded to AA+ after first unannounced BRC audit. Companies who participate in the unannounced BRC audit choose to be challenged at the highest level, confirmed by the plus sign at the end of the score. The auditor may arrive at the company any time after a certain date, so everyone needs to be ready at all times. The Arnarlax BRC AA+ rating is a huge compliment to all the hardworking and dedicated employees who are focused on achieving excellence every single day.



Excellent in Iceland

In 2023, Arnarlax achieved certificate as "Excellent in Iceland" from Viðskiptablaðið and Keldan. With this certification, Arnarlax place itself as role model companies in Iceland. The exclusive list of role model companies is an acknowledgement of excellent business performance. In 2023, only 2.8% of Icelandic companies were awarded the certification. To qualify, companies of various sizes, categorised as large, medium and small, must meet strong criteria related to profit, equity ratio, revenue and properties. To achieve the designation of "Excellent", the jury considers the operational years 2020, 2021 and 2022, where key criteria must be met.



Equal Pay Certification

Having received its initial equal pay certificate in 2021, the company has maintained this certification. The current certificate remains valid until January 2025, subject to an annual audit to ensure ongoing compliance with equal pay standards. The primary objective of obtaining equal pay certification is to address the gender pay gap and maintain gender equality within the workforce. By incorporating the equal pay certification process, businesses and institutions can establish a management system that guarantees pay related procedures and decisions are grounded in objective considerations, free from any form of gender-based discrimination. The equal pay standard ÍST 85, available through the Icelandic Standards Council, serves as a benchmark for organizations pursuing this certification.



11 Community projects

Proud sponsor of handball national team

Icelandic Handball Federation (HSÍ) and Arnarlax signed a sponsorship agreement for three years. The Arnarlax brand featured at the back of all competition jerseys worn by the Icelandic national handball team, starting with the Women's World Cup in November and then the men's team in the European Cup in January 2024.

The company recognizes the significance of handball in Icelandic sport culture and expresses pride in contributing to HSÍ journey. Arnarlax is committed to long term partnership.

"Go Iceland".






Arnarlax
SUSTAINABLE ICELANDIC SALMON

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