

# Community Footprints of Arnarlax 2020

10<sup>th</sup> May 2021



**ARNARLAX**





# Table of Contents

01 Community Footprints

02 About Arnarlax

03 Summary

04 Income tax

05 Salary-related taxes

06 Pension payments

07 Environmental fund

08 Resource tax

09 Other taxes and grants

# 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.

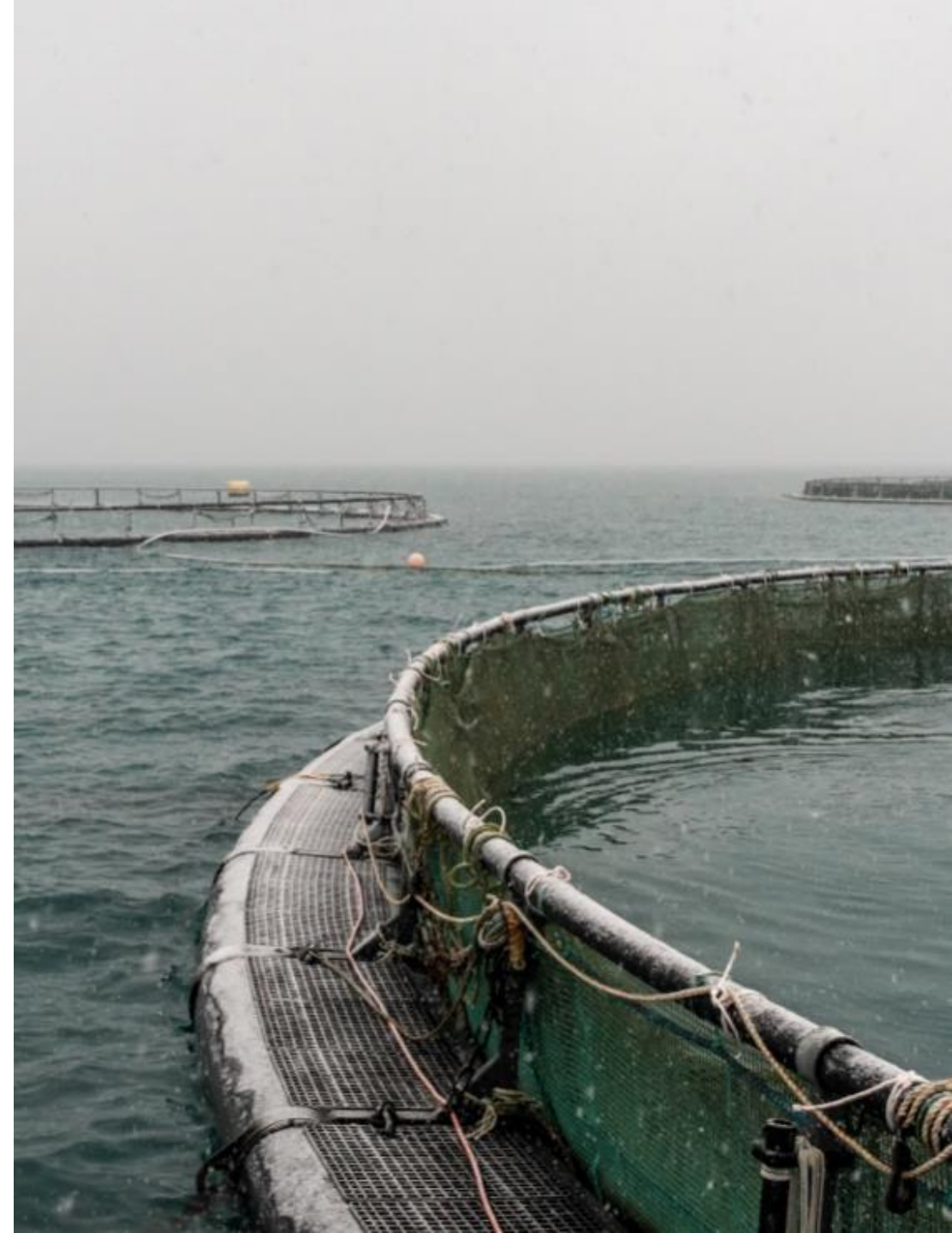
This is a short summary that provides information regarding what taxes and fees the company is paying. Furthermore, other information is presented that is considered to increase the understanding of the value the company creates with its operation.

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 company.



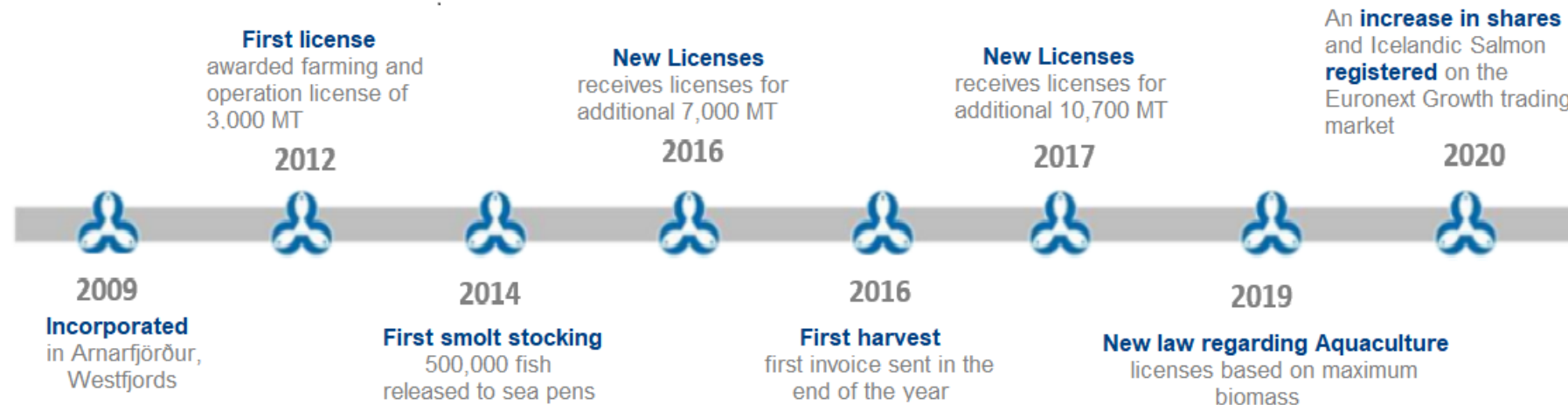
# 02 About Arnarlax

Arnarlax was formed in 2009 by a group of people that mostly had their roots from the Westfjord area and wanted to contribute to the local community. These dynamic people had belief in the community of Westfjords and saw an opportunity to utilize well sheltered fjords and clean sea to farm top quality salmon.

Arnarlax received its first production permits in 2012 and in 2014 the first sea pen was populated, strict salmon farming standards implemented, the company invested in a service ship and work began in improving the farming and production facilities of the company. 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. On July 1, 2017 Arnarlax acquired Fjarðalax and thereby the operation grew more extensive. At that time Fjarðalax had begun farming of the seventh generation of salmon in sea.

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 addition to the company's share capital being increased by 40 mil EUR. Community footprints of Ísbór hf. in Þorlákshöfn, which is 50% owned by Arnarlax, are not taken into consideration in this summary as their information was not available at the time of making of the summary.

Today Arnarlax is the largest fish farming company in Iceland. The company employs over 130 people in Bíldudalur, Patreksfjörður, Tálknafjörður, Hafnarfjörður, Þorlákshöfn and Bolungarvík. The company operates their own sea pens and production stations for their own products and has a 25.200 maximum biomass allowance. Today, the revenue have become regular throughout the year and with increased production the relative production cost has decreased.



# 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.

Average number of Arnarlax employees was 119 in the year 2020 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 733 in 2020. Approximately 14% of estimated work units in the two municipalities worked for Arnarlax in 2020. 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 2020 is obtained from the management of Arnarlax. Taxes and fees are presented as a separate item and are not included in the abovementioned operating items.

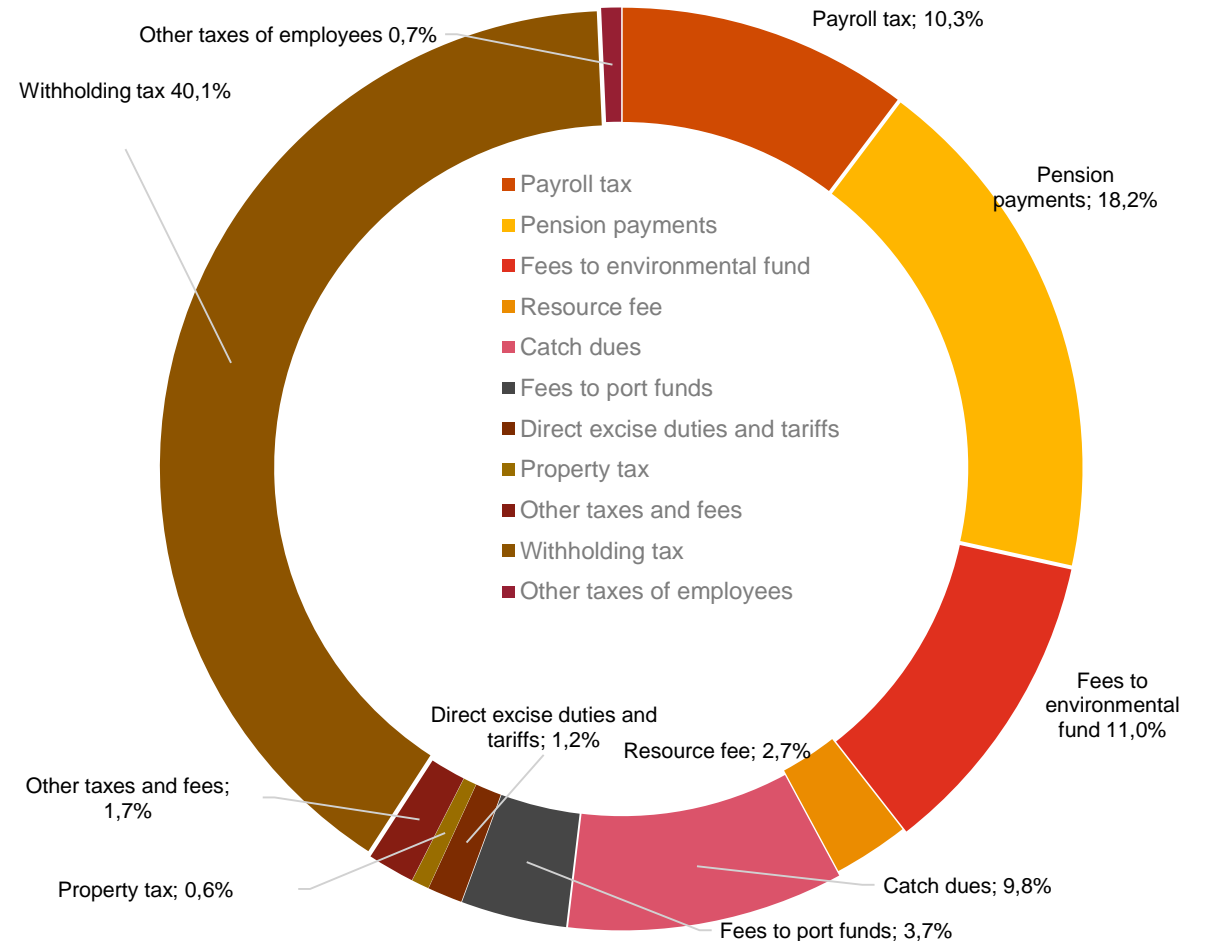
<b>Value created to the community</b>	<b>2020</b>	<b>Of which is Arnarlax operating territory</b>
	Iceland	
Salary expense (without tax/fees)	1.496,6	1.213,6
Payments to Icelandic service parties	16.161,7	7.702,2
Goods purchased from Icelandic parties	1.902,9	587,3
Paid interest in Icelandic community	25,3	
Taxes and fees to government	765,1	



# 03 Summary

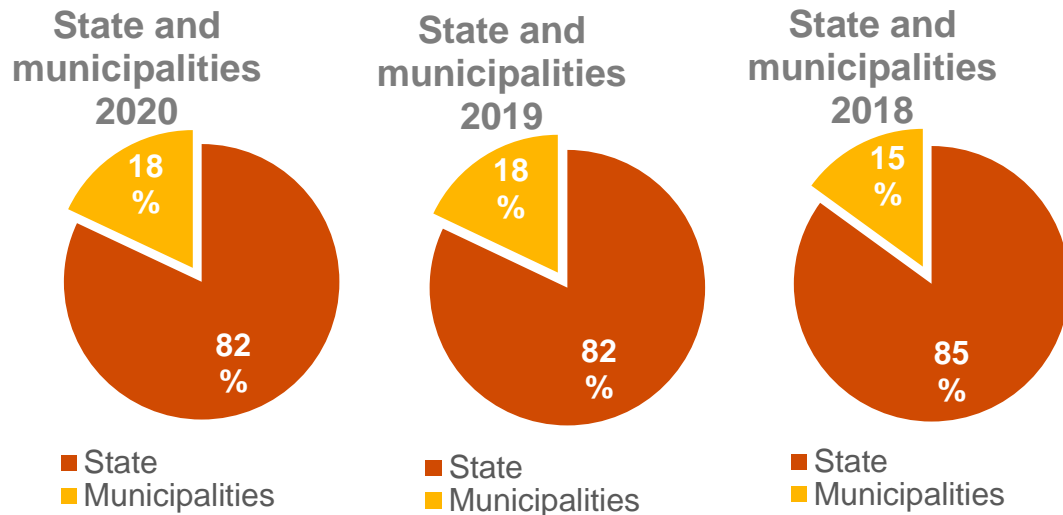
<b>Paid taxes and fees (million ISK)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Payroll tax	80,8	75,1	63,9
Pension payments	142,8	129,1	99,8
Fees to environmental fund	86,5	45,7	39,9
Resource fee	21,0		
Catch dues	76,8	63,1	39,7
Fees to port funds	29,4	15,0	6,3
Direct excise duties and tariffs	9,7	12,5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

**Paid taxes and fees 2020**  
**Proportional division**

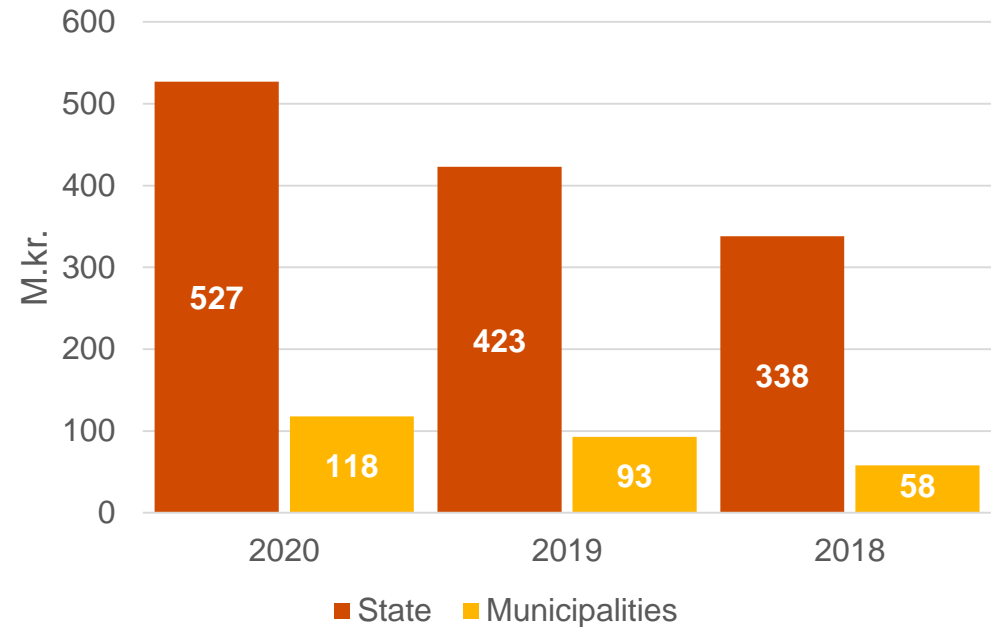


# 03 Summary

Taxes and fees of Arnarlax to state, municipalities and pension funds amounted to 765 million ISK. Payments to state and municipalities amounted to 786 million ISK and increased by 22% between 2019 og 2020. 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 remains the same for 2019 and 2020.



Taxes and fees



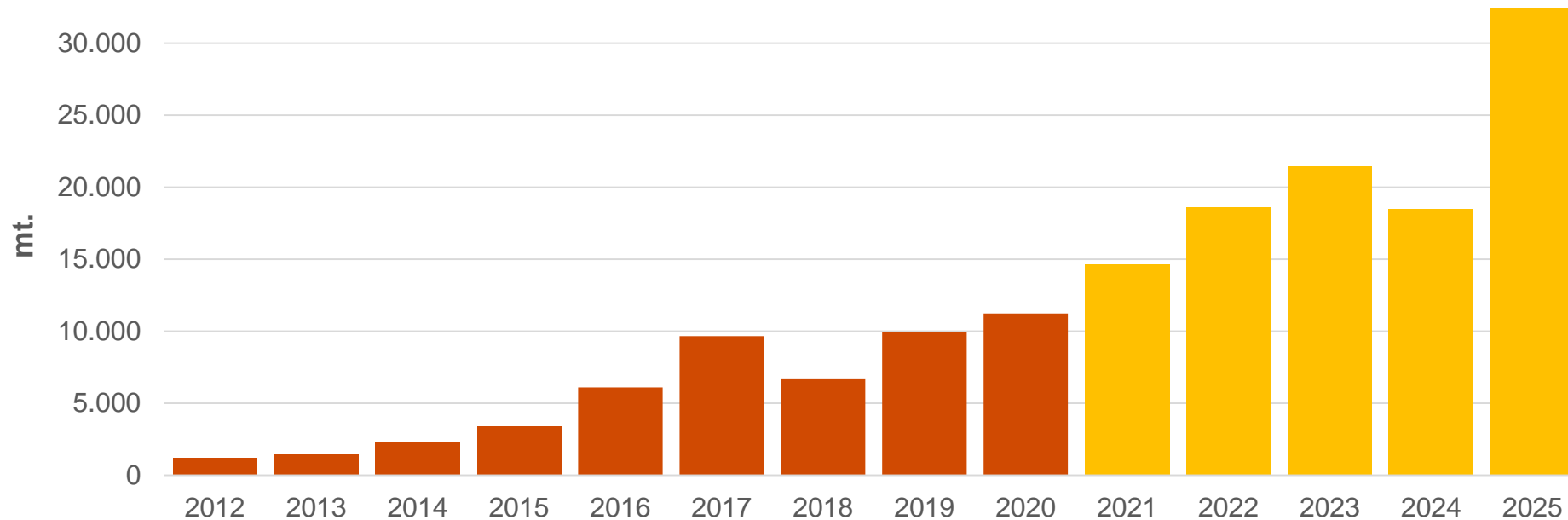
# 04 Income tax

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 operational loss in 2020 and thus income tax will not be paid in the coming year.

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 2020. The picture also shows the forecasted harvest amount until the year 2025.

Harvested amount in the years 2012 to 2020 and forecasted harvest amount in the years 2021 to 2025 (mt.)





# 05 Salary-related taxes

The average number of employees in 2020 at Arnarlax was around 119 compared to 111 employees in 2019. Additionally, Arnarlax employs contractors for various assignments.

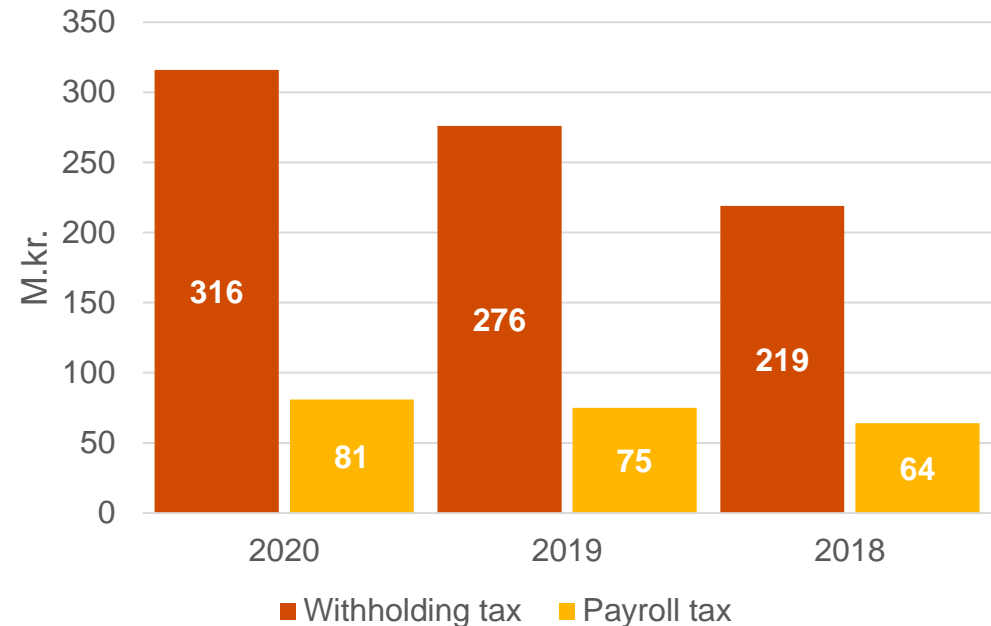
In addition to the direct jobs in fish farming that Arnarlax creates, derived jobs are created in service and increased administration. Examples of the derived jobs created by fish farming are service jobs, jobs in produce and feed transportation, inspection jobs and many more.

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 1.497 million ISK in 2020 compared to 1.338 million ISK in 2019. In 2020 Arnarlax returned 316 million ISK in withholding tax and paid 81 million ISK in payroll tax. In 2019 Arnarlax returned 276 million ISK in withholding tax and paid 75 million ISK in payroll tax.

Taxes paid of employees salaries



Salary-related taxes amounted 402 million ISK in 2020, of which 316 million ISK were withholding tax and 81 million ISK in payroll taxes.

# 06 Pension payments

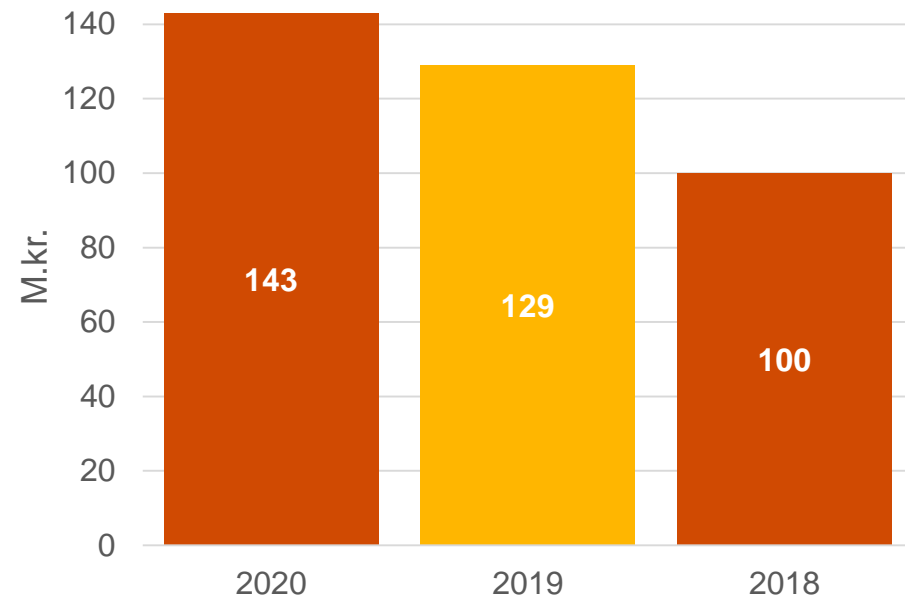
Employees of Arnarlax pay a mandatory 4% of their salary to pension insurance funds, in addition to being able to pay voluntary pension insurance premiums. Arnarlax pays 11,5% of the employees' salary in contribution to pension insurance funds, in addition to a contribution paid into the employees' voluntary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

Around 61% of employees have elected to pay voluntary pension insurance premiums. Of those who pay voluntary pension insurance premiums, 55% have elected 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 2020 amounted to 143 million ISK, compared to 129 million ISK in 2019.

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 143 million ISK in 2020.

# 07 Fees to environmental fund

Environmental fund of fish farming operates on the basis of 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.

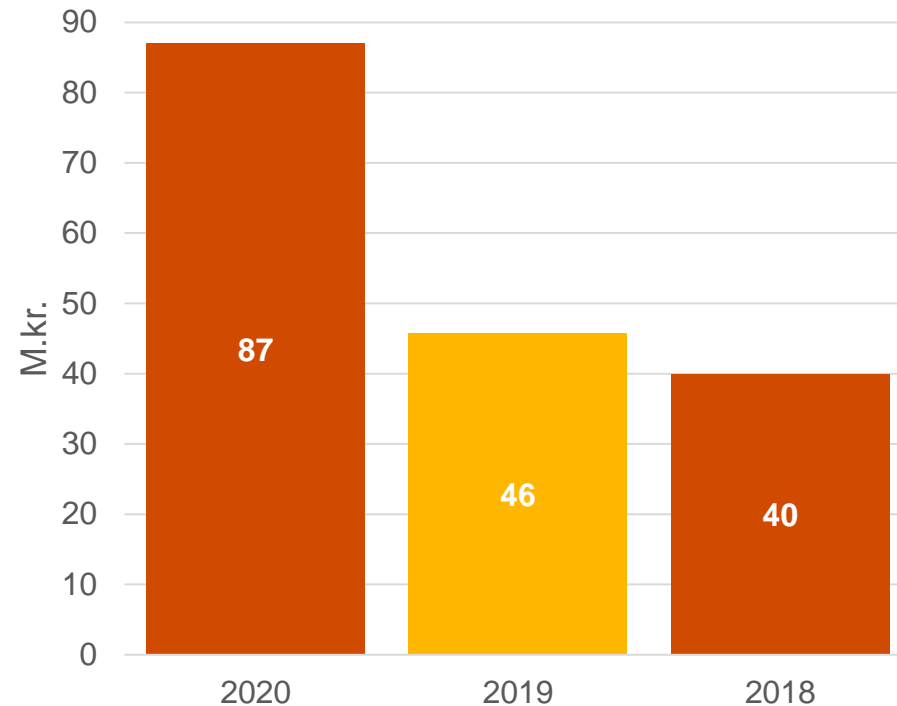
Holders of operational permits of fish farming pay a yearly fee to the fund and as such Arnarlax paid a total of 87 million ISK in 2020 compared to 46 million ISK in 2019, 40 million ISK in 2018 and 27 million ISK in 2017.

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 2019 the fund had approximately 88 million ISK to allocate which means that payments from Arnarlax amounted to around 50% of grants allocated for the year. No grants were allocated to Arnarlax in 2019 and 2020.

In 2020 the fund had approximately 195 million ISK to allocate which means that payments from Arnarlax amounted to around 44% of grants allocated for the year. No grants were allocated to Arnarlax in 2019 and 2020.

Fees to environmental fund of fish farming



Fees to environmental fund amounted to 87 million ISK in 2020 and have increased by 219% from 2017.

# 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 1/7 of the calculated fee in 2020 and will be 2/7 in 2021, 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 21 million ISK for the year 2020 and will increase significantly in the coming years, but full calculated fee would have been 147 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.

The law states that the fund's budget is the funding allocated by the yearly government budget, but in a news report on the website of the Ministry of Industries and Innovation on February 26, 2021 it was stated that the fund is forecasted to have 113 million ISK at its disposal in 2021.



New resource fee for fish farming in the sea amounted to 21 million ISK for the year 2020.

# 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 2020 amounted to 11,2 million ISK compared to 4,7 million ISK in 2019.

## Oil and carbon tax

In 2020, 92 million ISK were expensed due to purchases of oil and gasoline, of which 28 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 64,4 ISK per liter in 2020 while the carbon tax was between 10,25 and 14,45 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

Arnarlax gave various grants towards community issues which amounted to a total of 7,3 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 11,9 million ISK in 2020.



# 09 Other taxes and fees

## Other fees to municipalities

Arnarlax has their main operation in Vesturbyggð and Tálknafjörður. 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 77 million ISK in 2020 compared to 63 million ISK in 2019. 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 4,9 million ISK in 2020 compared to 8 million ISK in 2019.

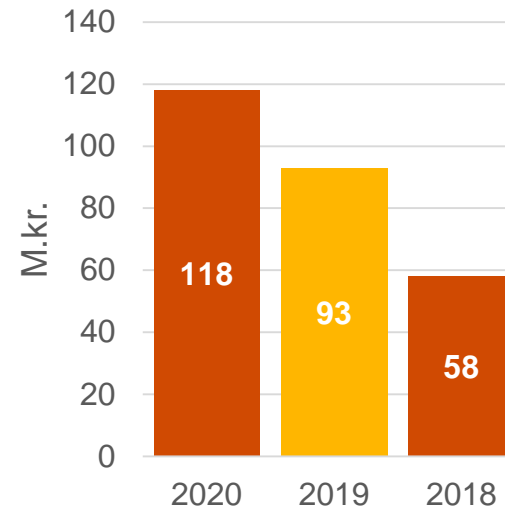
Other fees to port funds, including port fees and storage permits, amounted to 29 million ISK in 2020 compared to 15 million ISK in 2019.

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.

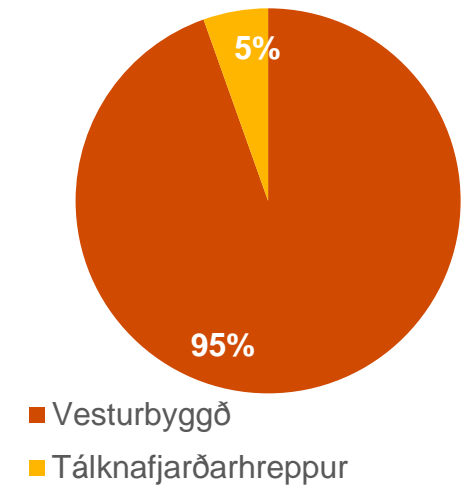
Paid property taxes in 2020 amounted to 4,9 million ISK compared to 5,2 million ISK in 2019.

Arnarlax paid municipalities 117,7 million ISK in various fees in 2020 compared to 92,5 million ISK in 2019, of which catch dues amounted to 76,8 million ISK. Most was paid to Vesturbyggð in 2020, or 93,4 million ISK.

Fees to municipalities



Municipalities 2020



Other fees to municipalities amounted to 117,7 million ISK in 2020 and increased by 27% between years.

- 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.
- 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.

