Blue Lagoon hf.

Consolidated
Financial Statements 2023

Blue Lagoon hf.
Norðurljósavegur 9
241 Grindavík

ID no. 431023-1130

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The Board of Directors' and CEO´s Report

Operation of the Group

During the year, the Group underwent some changes and the following are the main changes.

The Blue Lagoon hf. was divided in such a way that the subsidiaries Blue Lagoon Skincare ehf., Eldvörp ehf., Íslenskar Heilsulindir ehf, along with the ownership stake in Hreyfing ehf. were transferred into a new company, The recipient company is named The Blue Lagoon hf., but the name of the divided company was simultaneously changed to The Blue Lagoon Iceland hf.

After the changes, The Blue Lagoon hf. is the parent company of the Group. At the end of the year 2023, there are six subsidiaries of The Blue Lagoon, namely The Blue Lagoon Iceland hf., Blue Lagoon Skincare ehf., Eldvörp ehf., Íslenskar Heilsulindir ehf., Hrauneyjar ehf. and Ferðaþjónustan Hoffell ehf.

The aforementioned changes took place on 31 August 2023. On the other hand, the operation of The Blue Lagoon Iceland hf. was mostly unchanged until the end of the year, the company kept taking care of certain support services for other companies within the Group. At the beginning of the year 2024 this service was transferred to The Blue Lagoon hf.

The purpose of The Blue Lagoon hf and its subsidiaries will, as before, first and foremost involve development, promotion and marketing of health and wellness services along with the utilisation, organisation, and setup of necessary facilities to tend to the aforementioned operation.

This year saw continued efforts on ambitious development projects within the Group. At the beginning of July, operations were commenced in a new and splendid facility at Kerlingarfjöll. A diverse selection of lodging options is available for visitors there, including a health spa and diverse recreational options. Preparation for the building of a hotel, a bathing place and guest house in Þjórsárdalur is underway. The preparation of the ground began at the end of the year and construction is set to begin at full force in the year 2024.

The year saw the addition of two companies to The Blue Lagoon hf. group, Hrauneyjar ehf. and Ferðaþjónustan Hoffell ehf. Both companies include lodging and catering services. The purchases of the company provide support for the interest policy of the Group and further construction and development of the operation is planned in the coming years.

The audited Consolidated Financial Statements for the year ended 31 December contain the Consolidated Statements of the company and its subsidiaries.

The Blue Lagoon hf. group presents its accounts according to International Financial Reporting Standards (IFRS) for the first time. On the day of implementation the effect is dual in nature. One the one hand, lease assets and lease liabilities are entered into the settlement, which is compulsory according to the standards. On the other hand, the main properties of the company are entered at their fair value, which the standards allow for. The income statement changes in such a way that rent is credited in the income statement while the lease property is written off and interest from the lease liabilities is credited. This change leads to an increase of EBITDA from before. In explanation 22 in the annual financial statement, the effect which this has on the company's accounting is outlined.

Operations in 2023

The operating income of the Group amounted to 140,005 thousand in the year 2023 (111,571 thousand in the year 2022.) EBITDA in the year amounted to 38,834 thousand. Profit from the operation of the Group during the year amounted to 18,258 thousand (10,506 thousand in the year 2022) according to the income statement. The average number of man-years in the company during the year was 734. The company had 723 employees at the end of the year.

Assets at the end of the year amounted to 384,215 thousand (359,492 thousand in the year 2022.) Of these, 352,088 thousand at the end of the year were fixed assets (318,560 thousand at the end of the year 2022.)

According to the balance sheet, the equity of the company amounted to a total of 219,007 thousand on 31 December 2023. (215,304 thousand in 2022.) The equity ratio was 57% of the total capital (2022: 59.9%).

The debts of the company amounted to a total of 165,208 thousand 31 December 2023 (144,188 thousand In 2022.)

See note 20 for discussion of risk management and the main risks in the operation of the company.

Report and Signature from the Board of Directors and CEO continued:

Seismic Activity

Seismic activity and volcanic eruptions left their mark on the operation of The Blue Lagoon during the year. In November, a wave of earthquakes originated close by The Blue Lagoon. There were no damages to the structures of The Blue Lagoon. However, there were damages to property in Grindavík and the consequences of the earthquakes have yet to fully emerge. Two volcanic eruptions took place near to The Blue Lagoon, one in July and one December, but both eruptions lasted a short while and neither one of them was a threat to populated areas.

After the earthquakes in November and the eruption in December, The Blue Lagoon was made to cease operations in their premises at Svartsengi. In 2023 this was a total of 49.

During the past few years, much knowledge has been gathered regarding seismic activity in the unstable area in Reykjanes and in the estimation of scientists, the likelihood of a volcanic eruption at Svartsengi is slim to non-existent. In a report from the specialists of the Icelandic Meteorological Office it is stated, among other things, that a tectonic slab which covers Svartsengi was fortified in the turmoil which has taken place there lately and that the likelihood of a volcanic eruption there has therefore been reduced even further.

The responders have become experienced in assessing the danger at each time and how best to respond to volcanic eruptions and other seismic activity in the region. Additionally, sturdy protective structures have been erected around Svartsengi which will protect all operations in the area.

The company complies with all recommendations from responders, such as the Civil Protection and Emergency Management and the Police Commissioner of Suðurnes, in the principal aim of ensuring the safety of the employees and visitors of The Blue Lagoon All preventative measures have been significantly strengthened and a thorough risk assessment has, among other things, been prepared for the operation at Svartsengi. The management of The Blue Lagoon is therefore optimistic that if more shutdowns occur due to volcanic eruptions, they will last for a short time and have no significant effects on the operation of the company in the coming years.

Explanation 21 of the annual financial statements further outlines the seismic activity at Reykjanes and its effect on the operation of The Blue Lagoon.

Eldvörp ehf., the subsidiary of The Blue Lagoon, owns all properties at Svartsengi utilised by the companies within the Group. These are, on the one hand, properties run by The Blue Lagoon Iceland hf. and, on the other hand, one property utilised by Blue Lagoon Skincare ehf. These properties are insured with conventional insurance and, therefore, the Natural Catastrophe insurance of Iceland is liable if there are damages due to natural disasters. These properties, their fixtures and liquid assets are insured to the amount of ISK 159.7 million.

Besides natural disasters, there are the other main threats to the Icelandic tourism industry: terrorism, armed conflict, strike actions, or other such events.

Board of Directors and Corporate Governance

The Board of The Blue Lagoon has set for itself a code of ethics and strives to adhere to the “Guidelines on Corporate Governance” of the Icelandic Chamber of Commerce, DMX Iceland, and the Confederation of Icelandic Employers, issued in a revised version in February of 2021. The board of The Blue Lagoon hf. contains three women and four men and the Executive Board contains three men and three women, besides the CEO. The company issues a declaration regarding corporate governance as part of the consolidated annual financial statement of the company.

Report and Signature from the Board of Directors and CEO continued:

Shareholders

The share capital of the company amounts to ISK 874.5 million and its book value is EUR 6,113 thousand. The number of shareholders at the end of the year is 47. The following are the ten biggest shareholders of the company at the end of the year:

Blávarmi slhf.	36,2%
Hvatning ehf.	24,9%
Landsbréf Hvatning slhf.	18,0%
Stoðir hf.	7,3%
M4 ehf.	3,9%
Eðvard Júlíusson	2,5%
Bogmaðurinn ehf.	2,4%
Jú ehf.	0,9%
Keila ehf.	0,9%
The Blue Lagoon hf.	0,8%

The Board of the company will not propose a payment of dividends for the year 2023.

Non-financial information

Since its establishment, The Blue Lagoon has focused on corporate social responsibility, and The Blue Lagoon's approach to the issue has developed in line with the changes in the company and in society. The social responsibility policy of The Blue Lagoon emphasises that nature is not an inexhaustible resource, and the company support sustainability in all areas, in co-operation and harmony with society. The main tasks include, environmental and quality issues, sustainability and responsible business, occupational safety and security practice. In accordance with the provisions of the Act on Annual Accounts, the company publishes a separate section on non-financial information that is part of the company's Annual Financial Statements. There is also information from the company which conforms with the demands of the classification regulation of the EU which entered into force on 1 June 2023, but which applies to the entire economic year of 2023. The company has prepared a special social responsibility report regarding the development of social responsibility at The Blue Lagoon, which may be accessed at the company's website, www.bluelagoon.com.

Declaration from the Board of Directors and CE

To the best of our knowledge, it is the opinion of the Board of Directors and the CEO that the Consolidated Financial Statements give a clear view of the Group's operating results in 2023, its assets, liabilities and financial position on 31 December 2023 and the change in cash and cash equivalents during the year, in accordance with international financial reporting standards, as codified by the European Union. Furthermore, it is the opinion of the Board of Directors and the CEO that the Annual Financial Statements and the report of the Board and the CEO contain a clear overview of the development, state and success of the Group's operations and describe the main risk factors and uncertainties that the Group is facing.

The Board and CEO of The Blue Lagoon hf. have today reviewed the company's Consolidated Financial Statements for the year 2023 and confirmed it with their signature.

Garðabær, March 12, 2024

Members of the Board:

Úlfar Steindórsson	Ágústa Johnson
Ragnar Guðmundsson	Anna G. Sverrisdóttir
Steinar Helgason	Jón Sigurðsson
Erla Ósk Ásgeirsdóttir	

Chief Executive Officer:

Grímur Sæmundsen

Independent Auditor's Report

To the Board of Directors and Shareholders of Blue Lagoon hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Blue Lagoon hf. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of The Blue Lagoon hf. as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act No. 3/2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of The Blue Lagoon hf. in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter due to seismic activity

Without qualifying our opinion, we draw attention to discussion in the management report and note no. 21 in the consolidated financial statements where uncertainty due to the seismic activity that began in the fall of 2023, is reported.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act No. 3/2006, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing The Blue Lagoon hf.’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate The Blue Lagoon hf. or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing The Blue Lagoon hf.‘s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements, cont.:

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Blue Lagoon hf.’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Blue Lagoon hf.’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause The Blue Lagoon hf. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Garðabær, March 12, 2024

KPMG ehf.

Ólafur Már Ólafsson

Díana Hilmarsdóttir

Consolidated Statement of Income and other Comprehensive Income for the year 2023

	Notes	2023	2022*
Operating income	4	140.005.759	111.571.122
Operating expenses			
Cost of sales		16.438.706	12.791.442
Salaries and other personnel expenses	5	58.180.155	47.173.908
General and administrative costs	6	26.552.942	23.805.802
		101.171.803	83.771.152
Operating profit before depreciation and net finance cost (EBITDA)		38.833.956	27.799.970
Depreciation	8, 9	(12.038.048)	(11.387.115)
Operating profit		26.795.908	16.412.855
Finance income		2.705.879	480.156
Finance cost		(6.677.968)	(4.054.587)
Fair value changes		(483.205)	(333.167)
Net finance cost	7	(4.455.294)	(3.907.598)
Share of gain of associates	10	727.807	434.911
Profit before income tax		23.068.421	12.940.168
Income tax	15	(4.810.481)	(2.433.969)
Profit for the year		18.257.940	10.506.199
Other comprehensive income (loss)			
Items that are or may be reclassified to profit or loss			
Currency translation differences		298.087	(789.129)
Total comprehensive profit for the year		18.556.027	9.717.070
Profit for the year attributable to:			
Shareholders of parent company		18.540.940	10.456.111
Minority shareholders		(283.000)	50.088
		18.257.940	10.506.199
Total Comprehensive profit attributable to:			
Shareholders of parent company		18.652.547	10.009.402
Minority shareholders		(96.522)	(292.332)
		18.556.025	9.717.070
Earnings per share:			
Earnings per share		2,99	1,93
Earnings and diluted earnings per share		3,05	1,93

"Reconstructed income statement because of adoption of International Accounting Standards The implementation date was 1.1. 2022. See note 22.

Notes on pages 12–29 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position
31 December 2023

	Notes	2023	31.12.2022*	1.1.2022*
Assets				
Intangible assets	3f	9.161.240	1.080.111	557.387
Property, plant, and equipment	8	318.997.080	295.483.441	286.434.460
Lease properties	9	9.850.070	9.721.781	6.867.664
Investments in associates	10	11.837.251	11.221.396	4.650.240
Investments in other companies	10	247.567	232.155	237.962
Receivable on associates	19	300.240	820.915	1.038.233
Tax credit	15	1.694.999	0	0
Fixed assets		352.088.447	318.559.799	299.785.946
Inventories	11	6.240.597	5.064.820	3.903.819
Accounts receivable and other receivables	12	10.886.196	3.992.873	2.815.249
Assets identified at fair value	13	894.072	1.056.551	1.775.272
Cash and cash equivalents	3j	14.105.418	30.817.934	23.688.006
Current assets		32.126.283	40.932.178	32.182.346
Total assets		384.214.730	359.491.977	331.968.292
Equity				
Share capital		6.063.106	5.258.600	5.258.600
Restricted equity		152.032.552	154.505.604	157.962.019
Retained earnings		59.642.461	43.970.242	30.504.425
Equity of the shareholders of parent company		217.738.119	203.734.446	193.725.044
Minority shareholders		1.268.531	11.569.315	4.815.490
Total equity	14	219.006.650	215.303.761	198.540.534
Liabilities				
Loans and borrowings	16	85.396.054	73.045.269	77.629.129
Deferred tax liability	15	38.317.090	36.726.578	34.269.420
Lease liabilities	17	8.446.615	8.075.469	6.867.664
Non-current liabilites		132.159.759	117.847.316	118.766.213
Short term borrowings	8	7.202.073	4.756.361	0
Loans and borrowings	16	5.080.752	4.828.230	4.684.962
Lease liabilities	17	1.626.957	1.540.249	0
Accounts payable and other short-term liabilities	18	11.672.207	11.228.344	7.912.209
Deposits		2.493.849	3.987.716	2.064.374
Income tax	15	4.972.483	0	0
Current liabilities		33.048.321	26.340.900	14.661.545
Total liabilities		165.208.080	144.188.216	133.427.758
Total equity and liabilities		384.214.730	359.491.977	331.968.292

"Reconstructed balance sheet because of adoption of International Accounting Standards. Implementation date was 1.1. 2022. See note 22.

Notes on pages 12–29 are an integral part of the Consolidate Financial Statements.

Consolidated Statement of Changes in Equity for the year 2023

2022	Share capital	Restricted equity*	Retained earnings	Equity of owner parent company	Share minoritiy	Equity total
Equity 1.1.2022	5.258.600	157.962.019	30.504.425	193.725.044	4.815.490	198.540.534
Net result for the year		(446.709)	10.456.111	10.009.402	(292.332)	9.717.070
Minority share increase					7.046.157	7.046.157
Transferred from restricted equity		(3.009.706)	3.009.706			
Equity 31.12.2022	5.258.600	154.505.604	43.970.242	203.734.446	11.569.315	215.303.761
2023						
Equity 1.1.2023	5.258.600	154.505.604	43.970.242	203.734.446	11.569.315	215.303.761
Net result for the period		111.608	18.540.940	18.652.548	(96.523)	18.556.025
Purchased own shares	(58.155)	(4.594.234)		(4.652.389)		(4.652.389)
New share capital	3.514			3.514		3.514
Minority share decrease					(10.204.261)	(10.204.261)
Effects of Mergers and Acquisitions	859.147	(659.117)	(200.030)			
Transferred from restricted equity		2.668.691	(2.668.691)			
Equity 31.12.2023	6.063.106	152.032.552	59.642.461	217.738.119	1.268.531	219.006.650

*Non-distributable equity statements are itemised as follows:	Share premium	Statutory contingency fund	Non-distributable share invoice	Fair value increase Real estate	Translation difference	Total
Non-distributable equity 1.1.2022	11.944.335	1.314.650	2.161.617	144.000.000	(1.458.583)	157.962.019
Translation difference of the year					(446.709)	(446.709)
Transferred from restricted equity			(129.706)	(2.880.000)		(3.009.706)
Non-distributable equity 31.12.2022	11.944.335	1.314.650	2.031.911	141.120.000	(1.905.292)	154.505.604
Non-distributable equity 1.1.2023	11.944.335	1.314.650	2.031.911	141.120.000	(1.905.292)	154.505.604
Purchased own shares	(4.594.234)					(4.594.234)
Translation difference of the year					111.608	111.608
Effects of Mergers and Acquisitions			(659.117)			(659.117)
Transferred from restricted equity			5.548.691	(2.880.000)		2.668.691
Non-distributable equity 31.12. 2023	7.350.101	1.314.650	6.921.485	138.240.000	(1.793.684)	152.032.552

Consolidated Statement of Cash Flows for the year 2023

	Notes	2023	2022*
Cash flows from operating activities:			
Profit for the year		18.257.940	10.506.199
Adjustments for:			
Depreciation	8,9	12.038.048	11.387.115
Unrealised results from marketable securities		(192.080)	718.721
Interest and exchange rate difference		743.652	(4.862)
Impact of associates		(727.807)	(434.911)
Changes in deferred income-tax liability/income tax		4.867.996	2.457.158
		34.987.749	24.629.420
Changes in current assets and liabilities:			
Inventory, change		(1.175.777)	(1.161.001)
Receivables, change		(7.240.209)	(1.524.609)
Payables, change		2.725.438	7.291.121
Change in current assets and liabilities		(5.690.548)	4.605.511
Interests received		346.886	346.985
Interest paid		(3.003.893)	(2.051.649)
Net cash from (used) in operating activities		26.640.194	27.530.267
Cash flows from (to) Investing activities:			
Investments in current assets	8	(34.294.218)	(19.411.055)
Investment, change		354.559	0
Dividends received from associates		181.281	0
Share purchases in subsidiaries		(18.381.913)	0
Share purchases in associates		0	(7.023.468)
Loans to associated parties, change	19	520.675	0
		(51.619.616)	(26.434.523)
Cash flows from financing activities:			
Purchased own shares		(4.652.389)	0
New share capital		3.514	0
Short term borrowings, change		2.445.712	4.756.361
Repayments of long-term borrowings	16	(4.439.144)	(4.566.173)
Repayments of lease liabilities		(1.801.680)	(1.722.079)
New long-term borrowings	16	16.710.893	519.918
Minority share increase		0	7.046.157
		8.266.906	6.034.184
Changes in cash and cash equivalents		(16.712.516)	7.129.928
Cash and cash equivalents at beginning of the year		30.817.934	23.688.006
Cash and cash equivalents at the end of the year		14.105.418	30.817.934

"Reconstructed cash flow because of adoption of International Accounting Standards. The implementation date was 1.1. 2022. See note 22.

Notes on pages 12–29 are an integral part of the Consolidatedl Financial Statements.

Notes

1. General information

The Blue Lagoon hf. (the company) is based in Iceland and the headquarters of the company is at Norðurljósavegur 9 in Grindavík. The company's Consolidated Financial Statements contain the Financial Statements of the parent company and its subsidiaries, which are referred to as a whole as "the Group" and to individual companies as "Group affiliates".

The Consolidated Financial Statements were written in Icelandic and approved and authorised for issue by the Board of Directors and the CEO of Blue Lagoon hf. on March, 12 2024. In case of discrepancy between the English version and the Icelandic translation, the Icelandic original will prevail.

2. Basis of preparation

a. Statement of compliance with International Accounting Standards

The group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in accordance with law. This is the first annual financial statement prepared in accordance with IFRS while the annual financial statements of previous years were prepared in accordance with the Act on Annual Financial Statements. The implementation date of IFRS was 1 January 2022. In addition, the Group has implemented clauses from Act no. 3/2006 on Annual Accounts wherever certain matters are not provided for in international financial reporting standards, such as transactions into a non-distributable holding account among equity and additional requirements of the Act on Annual Financial Statements regarding disclosure. Explanatory note 22 further outlines the effect of the implementation of IFRS on the accounting practices of the Group. Comparative amounts within the income statement and cash flow have been reconstructed because of the implementation of international financial reporting standards and apply to the time period 1.1.2022 - 31.12.2022.

b. Operability

The management has assessed the Group's operability. It is their assessment that its continued operation is guaranteed, and that it is well equipped to meet its obligations in the foreseeable future. The Annual Financial Statements are therefore presented on a going concern basis.

The Board of The Blue Lagoon hf. confirmed the annual financial statements on 12 March 2024.

c. Valuation approaches

The Financial Statements are prepared on the basis of cost price, except that securities are valued at fair value.

d. Functional currency and presentation currency

The Financial Statements are in euros (EUR), which is the parent company's functional currency.

e. Estimates and decisions

The preparation of the Consolidated Financial Statements in accordance with international accounting standards requires management to make decisions, evaluate and make assumptions that affect the application of accounting methods and the published amounts of assets, liabilities, income and expenses. Final results may differ from these estimates.

Estimates and assumptions are under constant review. Changes in accounting estimates are recorded during the period in which they take place and the future periods affected by the changes. The items where the assessment and assumptions of managers are most needed are lease agreements, cf. explanatory note 9 and intangible assets, cf. explanatory note 3.f.

3. Important Accounting Methods

The accounting methods described below have been applied in a consistent manner for all periods appearing in the Group's Consolidated Financial Statements.

Notes, continued:

a. Acquisition of companies

The purchase method is used for mergers when control is transferred to the Group. That which is accomplished during the acquisition is usually assessed at fair value, as well as the identifiable assets and debts which are taken over. When the company is the acquirer during the merger of companies, goodwill is generated. The amounts allocated to acquired assets and debts are based on criteria and assessment of the fair value of those assets and debts. During the assessment, the managers consult independent and recognised assessors as applicable. Changes to the criteria and assessment might entail changes in the value which was allocated to certain assets and the assessment of their useful life, which might effect the amounts or timing of debit entries in the income statement of the Group as depreciation of intangible assets.

b. Foreign currencies

Transactions in foreign currencies are entered in the operational currency of the company at the exchange rate on the date of business. Monetary assets and liabilities denominated in foreign currencies are recorded at the rate prevailing on the day of settlement. The exchange rate difference that forms is recorded in the income statement. Foreign currencies means all other currencies besides euros. The exchange rate of the euro vs. the Icelandic króna according to the Central Bank of Iceland is as follows:

	31.12.2023	**31.12.2022**
Exchange rate at the end of the year (EUR vs. ISK)	150,50	151,50
Average exchange rate (EUR vs. ISK)	149,14	142,33

c. Financial instruments other than derivatives

Financial assets are entered at amortised cost The Group's financial instruments which are not derivative agreements include trade receivables and other receivables, cash and cash equivalents, borrowings, trade payables and other short-term liabilities.

Financial instruments other than derivative agreements are entered at fair value upon initial registration in the accounts. When financial instruments are not valued at fair value through the Income Statement, all direct transaction costs are transferred to an increase in their value upon initial registration in the accounts. After initial registration, financial instruments that are not derivative agreements are entered in the manner described below.

Financial assets at amortised cost are financial assets with fixed or determinable payments that are not listed on an active market. Such assets are initially entered at fair value plus any related transaction costs. After initial registration, the loans and claims are entered at amortised cost price based on effective interest, less impairment, when applicable. Loans and claims consist of cash and cash equivalents, the portfolio, agreements, trade receivables and other receivables.

Financial assets

Cash or cash equivalents, trade receivables and other short-term claims are entered at amortised cost Investments in registered stocks and bonds are carried at fair value and fair value changes in income statements.

Financial Liabilities

Financial liabilities are entered at amortised cost.

d. Associated companies

Affiliated companies are those companies over which the Group has significant influence, but not control over the company's operational and financial policies. Shareholdings in associates are entered in accordance with the equity method. Associated companies are initially entered at cost price, which includes transaction cost. After the initial registration, the share of the Group in the profits or losses of the associated companies is entered into the consolidated financial statements, as well as a share in the rest of their total earnings until the end of significant control.

e. Subsidiaries

Subsidiaries are companies controlled by the Group. Full control is effective if the Group carries responsibility for risks or is entitled to enjoy variable benefits as a result of its participation in the company and can, through its decision-making powers, have an effect on its benefits from the investment. The financial statements of subsidiaries are included in Consolidated Financial Statements from the date that control commences until the date that control ceases.

Transactions between consolidated companies, balances between them and unrealised income and expenses arising from transactions between the companies are eliminated when preparing the Consolidated Financial Statements.

Notes, continued:

3. Important accounting methods, continued:

f. Intangible assets

Goodwill is generated from investments in subsidiaries in excess of one's equity share. Goodwill is entered at cost price less impairment. Goodwill is not depreciated but evaluated at least annually but more often if indications of impairment emerge. At the evaluation of goodwill it is allocated to the fund creating units to which it is connected.

As goodwill is evaluated, plans regarding cash flow are used which are based on real numbers.

g. Property, plant and equipment

Property, plant, and equipment are recognised at cost price less accumulated depreciations and impairment. Cost price includes direct costs which occur during the purchase.

Costs incurred as a result of renewal of shares in certain tangible assets are entered as tangible assets if it is probable that future profits inherent in the property will go to the Group, and if the costs can be estimated reliably. All other costs are entered in the Income Statement when incurred. The cost of capital during the period of operations is entered until use of the asset in question is used.

Depreciation

Depreciation is entered linearly into the income statement based on the estimated useful life of the individual parts of the operating assets. Plots are not depreciated.

Estimated useful life is itemised as follows:

Property	25-50 years.
Other operating assets	4-7 years

The final price is reevaluated annually, except when the amount in question is insignificant.

h. Lease Agreements

As lessee, the Group enters the lease assets and lease liabilities into the balance sheet on the start date of the lease agreement, unless the lease agreement in question has a determined term of lease of 12 months or less or is a lease agreement where the value of the underlying assets is low. Lease assets are initially entered at cost price, which is the initial amount of lease liabilities plus lease payments from the Group, on or before the start date of lease agreements. Lease liabilities are initially entered in accordance with the present value of lease payments which are unpaid on the start date of the lease agreement, where the present value of lease payments is determined by uses inherent interest in the lease, if they can be reliably assessed, if not then the interest of new borrowed capital shall be the guideline. The group relies upon interest of new borrowed capital.

Lease properties are depreciated linearly from the start date of agreements until the end of the term of lease. During the determination of the term of lease, various factors such as the authorisations of annulment or extension may have to be considered, if appropriate, as well as the option to buy, if applicable. After the initial entry into the accounts, calculated interest expense is entered to increase the lease liabilities and lease payments are rendered to decrease it. The book value of lease liabilities is reevaluated when there is a change in lease payments in the future, for example because of index-links or altered criteria regarding the utilisation of authorisations for extensions or annulment. When the book value of lease liabilities is reevaluated in this manner, the corresponding correction is made at the book value of lease assets. Variable lease payments which are not determined by interest or indexation are credited when they occur.

Variable lease payments which are based on turnover are not included in the assessment of lease liabilities except insofar as they have fallen due and are unpaid on the settlement date. Variable lease payments which are based on turnover are charged off in the income statement to the degree that they occur. Lease assets are specified within the balance sheet among fixed assets. Lease liabilities are specified within the balance sheet and divided into long-term and short-term parts. Depreciation of lease assets are included in the income statement under depreciation. Interest expenses of lease liabilities are in the income statement under financial expenses.

Notes, continued:

3. Important accounting methods, continued:

h. Lease Agreements

Determined interest and the term of lease are as follows:

	Determined interest	Term of lease
Property lease agreements	6.69 - 8.05%	2-42 years
Plot lease agreements	7.16 - 9.46%	5-50 years
Car contracts	7.59 - 13.51%	3 years

i. Inventories

Inventories are valued at cost price or net retail price, whichever is lower. Cost price of inventories is based on the inventories first purchased are sold first (FIFO). The cost which occurs as the inventories are procured and put in their place and in the condition in which they find themselves on the day of settlement are part of the cost price. Producer goods are assessed at the average cost of production, which includes direct and indirect production costs.

j. Cash and cash equivalents

Cash and cash equivalents include funds, unrestricted bank deposits and short-term stocks which do not contain great risk due to changes in fair value and are used by the company to meet obligations in the short term. Cash and cash equivalents are itemised as follows:

	31.12.2023	31.12.2022
Unrestricted bank deposits	2.280.694	12.710.475
Short-term securities	11.824.724	18.107.459
Cash and cash equivalents in total	14.105.418	30.817.934

k. Impairment

Financial assets

On each settlement date, it is checked whether there are objective indicators of impairment of financial assets which are not entered at fair value. A financial asset is impaired if there is objective evidence that one or more events that have taken place indicate that the expected future cash flow of the asset will be lower than previously estimated.

Impairment of financial assets entered at amortised cost is the difference between their book value, on the one hand, and the discounted expected future cash flow, based on the initial effective interest rate, on the other hand. Impairment of financial assets available for sale is determined based on their fair value at any given time. Individual significant financial assets are tested separately for impairment. Other financial assets are grouped together according to credit risk characteristics and each category is assessed separately for impairment.

Impairment is entered as an expense in the Profit and Loss Account.

An impairment is reversed if the reversal can be objectively linked to an event that occurred after the impairment was entered. Impairment of investments until maturity is reversed in the income statement.

Other assets

The book value of other assets of the Group, excepting inventoriesm is reviewed on each day of settlement to assess whether there are indications of their impairment. If any such indication exists the recoverable amount of that asset is estimated. Impairment tests are made on goodwill at least annually.

The recoverable amount of an asset or cash generating unit is its pure fair value or utilisation value, whichever proves higher. Utilisation value is the estimated future cash flow, which is discounted with interest before taxes, where the interest reflects the market estimate of the time value of money at each time and the risk which comes with the asset.

Notes, continued:

3. Important accounting methods, continued:

k. Impairment

Other assets

Impairment is entered when the carrying amount of the asset or cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest discernable group of assets which generates cash flow which is mostly independent of other assets or groups of assets. The impairment of cash generating units is first entered as a reduction of the goodwill in question, but then as a proportional reduction of the book value of other assets belonging to the unit. Impairment is entered as an expense in the Profit and Loss Account.

Impairment of goodwill is not reversed. Impairment in previous periods of time because of other assets is assessed at each day of settlement to check whether there are indications that the impairment has lessened or disappeared. Impairment is reversed if there has been a change in the assessment used to calculate a recoverable amount. Impairment is only reversed to the extent that the value of the asset does not exceed that which would have been if no impairment had been entered.

l. Income

Products sold and services rendered

Income from the sale of products and services is entered into the income statement when control is transferred to the buyer, which usually occurs during the delivery of products or as soon as services are rendered.

There are four main sources of income for the company as is shown in the attached table.

Spa	This mainly refers to entrance fee into the bathing lagoon and services related thereto.
Catering	Restaurant sales take place in and around the bathing lagoon, in addition to which a restaurant is run in the hotels owned by the Group.
Hotels	The Blue Lagoon hf. runs two hotels. Kerlingarfjöll ehf. began operating a hotel during the year. Two new subsidiaries, Hrauneyjar and Ferðaþjónustan Hoffell both run hotels. Income from these new hotels during the year were negligible.
Sales	Product sales within the Group to the greatest extent by far include the sale of skincare products under the heading of Blue Lagoon Skincare.

4. Operating income

	2023	2022
Spa	62.462.301	51.276.377
Catering	33.846.420	28.162.241
Hotels	22.786.658	19.886.017
Sales	14.557.317	11.425.741
Other	6.353.063	820.746
Operating income total	140.005.759	111.571.122

5. Salaries and salary-related expenses

Salaries	44.249.755	36.000.340
Pension fund	5.939.885	4.829.323
Payroll tax	3.411.956	2.768.312
Other employee costs	4.578.559	3.575.933
Salaries and related expenses total	58.180.155	47.173.908
Average number of full-time equivalent unit	734	589
Full time equivalent positions at year-end	723	652

The salaries of the Board and CEO amounted to a total of 1,524 thousand during the year

6. General and administrative costs

	2023	2022
Property expenses	4.251.162	3.164.932
Purchased services	5.854.307	6.164.967
Marketing expenses	4.265.508	3.823.482
IT expenses	1.572.969	1.569.992
Other operating expenses	10.608.996	9.082.429
Total	26.552.942	23.805.802

Notes, continued:

7. Finance income

	2023	2022
Interest income from bank deposits, securities and claims	2.621.038	480.156
Currency profit	84.841	0
Total financial revenue	2.705.879	480.156

Finance cost

	2023	2022
Interest expenses on long-term loans	(5.750.633)	(2.430.296)
Interest expenses on lease liabilities	(768.420)	(685.219)
Other interest expenses	(158.915)	(16.925)
Currency loss	0	(922.147)
Total financial expenses	(6.677.968)	(4.054.587)
Changes in fair values of securities	(483.205)	(333.167)
Net finance costs	(4.455.294)	(3.907.598)

8. Property, plant and equipment

	Property and land	Other operational assets	Total
Balance at 1.1.2022	303.963.765	16.218.119	320.181.884
Translation difference of the year	(260.237)	(13.118)	(273.355)
Addition during the year	13.444.755	5.966.304	19.411.059
Disposals and write-offs during the year	(220.378)	(100.388)	(320.766)
Balance at 31.12.2022	316.927.905	22.070.917	338.998.822
Balance 1.1.2023	316.927.905	22.070.917	338.998.822
Translation difference of the year	(24.936)	(22.498)	(47.434)
Addition during the year	25.278.876	9.015.342	34.294.218
Disposals and write-offs during the year	(184.917)	(2.141.058)	(2.325.975)
Balance at 31.12.2023	341.996.928	28.922.703	370.919.631
Depreciation			
Equity 1.1.2022	24.789.352	8.958.072	33.747.424
Translation difference of the year	(50.037)	(11.547)	(61.584)
Depreciated during the year	7.254.511	2.880.548	10.135.059
Disposals and write-offs during the year	(220.378)	(85.140)	(305.518)
Depreciated 31.12.2022	31.773.448	11.741.933	43.515.381
Depreciated 1.1.2023	31.773.448	11.741.933	43.515.381
Translation difference of the year	3.010	(7.167)	(4.157)
Depreciated during the year	6.661.635	3.926.060	10.587.695
Disposals and write-offs during the year	(101.465)	(2.074.903)	(2.176.368)
Depreciated 31.12.2023	38.336.628	13.585.923	51.922.551
Book value			
1.1.2023	285.154.457	10.328.984	295.483.441
31.12.2023	303.660.300	15.336.780	318.997.080
Depreciation rates	0-4%	15-25%	

Property valuation of real estate and plots by the Group amounted to a total of 81.9 million at the end of 2023 (2022: ISK 72.5 million) At the same time the insurance value of the properties of the Group amounted to 155.5 million (2022: 142.7 million) The insurance value of other assets besides properties amounted to 33.5 million at the end of the year (2022: 18.7 million) Cash and buildings of the company are insured against fire with the insurance company of the Blue Lagoon and therefore the Natural Catastrophe insurance of Iceland is liable in the event of a natural disaster.

Notes, continued:

8. Property, plant and equipment

In 2021 a subsidiary in the Group made an agreement with Landsbankinn regarding a line of credit for construction in Kerlingarfjöll. Appendices have been made to the agreement and at the end of the year 2023 the company had depleted the line of credit along with accrued interest ISK 1,084 million. Agreement for a line of credit lasts until April of 2024. Refinancing is expected in mid-2024. and no instalments are expected in the year 2024. Collateral is the property Ásgarður with issued indemnity bonds.

9. Lease assets

The lease assets of the Group are itemised as follows:

	Property	Land	Vehicles	Total
Lease assets 1.1.2022	2.619.002	3.704.557	544.105	6.867.664
New Lease Agreements	3.043.360		270.421	3.313.781
Depreciation during the year	(765.577)	(126.184)	(360.292)	(1.252.053)
Translation difference	(1.361)	(35.683)	(316)	(37.360)
Indexation during the year	448.124	339.303	42.322	829.749
Book value 31.12.2022	5.343.548	3.881.993	496.240	9.721.781
Lease assets 1.1.2023	5.343.548	3.881.993	496.240	9.721.781
New Lease Agreements		381.391	429.658	811.049
Other changes to agreements		19.061	(31.274)	(12.213)
Depreciation during the year	(769.802)	(141.441)	(389.507)	(1.300.750)
Translation difference	645	5.334	(405)	5.574
Indexation during the year	380.137	202.151	42.341	624.629
Book value 31.12.2023	4.954.528	4.348.489	547.053	9.850.070

Amortised depreciation in the income statement of the year are itemised as follows:

	2023	2022
Depreciation of fixed assets, cf. explanation 8	10.587.695	10.135.062
Disposals and write-offs during year, cf. explanation 8	149.603	0
Depreciation of leased assets	1.300.750	1.252.053
	12.038.048	11.387.115

10. Companies in the Group

The group's consolidated financial statements include the following companies.

Company	Shareholding	Operation
The Blue Lagoon hf., Grindavík	99%	The Blue Lagoon Iceland hf. handles the operation of the Blue Lagoon's facilities at Svartsengi.
Eldvörp ehf., Grindavík	100%	Eldvörp ehf. is an investment company which owns all properties at Svartsengi which The Blue Lagoon Iceland hf. and Blue Lagoon Skincare ehf. use in their operations.
Hraunsetur ehf., Grindavík	100%	Hraunsetur ehf. owns the block of flats at Stamphólsvegur 5 in Grindavík. The building has 24 apartments which are only leased to the employees of The Blue Lagoon.
Jarðvangur ehf., Grindavík	100%	The company owns a plot of land which stands at the intersection of Reykjanesbraut and Grindavíkurvegur. It is not entirely certain how the plot will be utilised in future.
Íslenskar Heilsulindir ehf., Grindavík	100%	Íslenskar Heilsulindir ehf. is a holding company for investment in companies in the travel industry and entertaiment, including the operation of bathing lagoons.

Notes, continued:

10. Companies in the Group continued:

Rauðukambar ehf., Grindavík	93%	Rauðukambar ehf. work on the development of the travel industry at Þjórsárdalur. The plan is for the company to begin operations in 2026.
Kerlingarfjöll ehf., Grindavík	84%	Kerlingarfjöll ehf. work on the development of the travel industry at Kerlingarfjöll. The company began operations in mid-2023.
Blue Lagoon Skincare ehf., Grindavík	100%	Blue Lagoon Skincare handles the production and sale of products made of raw material from the Blue Lagoon. The company has three foreign subsidiaries who tend to the sale and distribution of these same products.
Blue Lagoon USA	100%	The company tends to the sale of Blue Lagoon products in the United States and Canada.
Blue Lagoon NL B.V.	100%	The company tends to the sale of Blue Lagoon products, especially in Europe.
Blue Lagoon Skincare UK Limited	100%	The company has not begun operations.
Blue Lagoon Journeys ehf., Grindavík	100%	A holding company for Þjónustumiðstöðin Reykjanes ehf.
Þjónustumiðstöðin Reykjanes ehf.	80%	The company handles the build-up of the service centre at Reykjanesviti, operations are estimated to begin in 2024.
Ferðaþjónustan Hoffell ehf., Höfn	100%	The company runs travel services on the land Hoffell at Öræfi.
Hrauneyjar ehf., Hella	100%	The company owns and operates two hotels in the highlands.

Shareholdings in associated companies and other companies

The shares in associated companies are in the companies Gufa ehf. at Laugarvatn, Jarðböðin hf. at Mývatn, Norðurböðin hf. at Akureyri and Hreyfing ehf., Reykjavík. Gufa ehf. and Jarðböðin ehf. run bathing lagoons. Norðurböðin is a holding company, while Hreyfing ehf. runs a gym of the same name in Reykjavík.

	Share-holding	Share of gain(loss) of associates	Book value 31.12.2023	Book value 31.12.2022
Gufa ehf., Laugarvatn	44,7%	29.380	1.219.877	1.182.902
Norðurböð hf., Akureyri	34,0%	(28.173)	6.118.947	6.106.292
Jarðböðin hf., Mývatn	25,3%	589.542	3.757.837	3.331.630
Hreyfing ehf., Reykjavík	22,0%	137.058	740.590	600.571
		727.807	11.837.251	11.221.395
Shareholdings in other companies:				
Other companies (four)			247.567	232.155

11. Inventories

Inventories consist of raw materials and finished goods which have been purchased finished for resale, along with an inventory of restaurant goods and operational goods.

Inventories during the year are itemised as follows

	31.12.2023	31.12.2022
Goods for resale	3.647.364	2.826.573
Catering	1.379.199	1.154.336
Operational goods	1.214.034	1.083.911
	6.240.597	5.064.820

Notes, continued:

12. Accounts receivable and other receivables

	31.12.2023	31.12.2022
Accounts receivable	5.529.846	2.887.628
Write-down of claims	(41.094)	(17.313)
Claims on associated parties	56.361	65.872
Other short-term claims	5.341.083	1.056.686
Total accounts receivable and other receivables	10.886.196	3.992.873

Write-down account of receivables:

	31.12.2023	31.12.2022
Status at year-start	17.313	292.619
Depreciated permanently lost claims during the year	(10.113)	(144.544)
Charged during the year	33.894	(130.762)
Write-down account at year-end	41.094	17.313

13. Assets identified at fair value

	31.12.2023	31.12.2022
Shares listed on the Iceland Stock Exchange.	638.671	766.099
Equity instrument registered at NASDAQ First North	255.401	290.452
Assets identified at fair value in total	894.072	1.056.551

14. Equity and equity management

Share capital

According to the company's Articles of Association, its equity is ISK 874.75 million and each share amounts to one króna. Each share carries one vote. The share capital of the Company is all paid-in. During the year, the company purchased its own shares in the nominal value of ISK 7.311 thousand, see capital overview for further information.

Restricted equity

Other reserves consist of a share premium account, a legal reserve, a non-distributable share account, and translation differences due to subsidiaries and associated companies.

Share premium of paid-in share capital

The share premium account of paid-in shares shows what shareholders of the companies have paid in excess of the nominal value of the shares that the company has sold.

Statutory reserve

According to laws on limited companies, the company shall bind 25% of the nominal value of equity in a reserve fund which may not be used to pay dividends to shareholders.

Non-distributable reserve

A non-distributable share account contains interest in the accrued profits of subsidiaries and associated companies that are in excess of allocated dividends from the companies in question. The non-distributable share account may not be used to pay dividends to shareholders.

Fair value increase of real property

Certain properties were raised to their fair value on the day of implementation of IFRS which was 1.1.2022 and the fair value account will decrease concurrent to the depreciation of the properties.

Translation difference

Translation difference consists of a difference in foreign exchange value which is made during the translation of the balance sheet of subsidiaries and associated companies into the operational currency of the company.

Retained earnings

Retained equity is the accumulated retained earnings and unallocated losses of the Group since the founding of the parent company less dividends and transfers against other equity items.

Notes, continued:

15. Income tax liability

Calculated income tax in the profit and loss account is itemised as follows:

	31.12.2023	31.12.2022
Income tax for payment	4.972.483	0
Changes in tax credit	(162.002)	2.433.969
Income tax entered in profit and loss account	4.810.481	2.433.969

Active tax rate:

		2023		2022
Profits before taxes		23.068.421		12.940.168
Income tax acc. to the applicable tax rate	20,0%	4.613.684	20,0%	2.588.034
Other changes	0,9%	196.797	1,2%	(154.065)
Income tax in profit and loss account	20,9%	4.810.481	18,8%	2.433.969

Deferred tax liability (tax credit) is itemised as follows:

Tax liability at year start	36.726.578	(1.730.580)
Corrected balance 1.1.2023	54.443	0
Tax Effects of Fair Value Increase	0	35.280.000
Calculated income tax entered in profit and loss account	4.810.481	3.153.969
Income tax for payment	(4.972.483)	0
Exchange rate difference	3.072	23.189
Tax liability at the end of the period	36.622.091	36.726.578

Deferred tax liability (tax credit) is itemised as follows at year-end:

Property, plant, and equipment	38.422.529	38.779.751
Lease agreements	(44.701)	(49.357)
Inventories	34.197	34.586
Accounts receivable	(201)	(3.327)
Deferred exchange rate difference	(67.238)	(118.503)
Transferable tax loss	(1.908.868)	(2.189.955)
The write-down of tax credit	186.373	273.383
Tax liability at the end of the period	36.622.091	36.726.578

16. Long-term liabilities

Long-term liabilities of the year are itemised as follows:

	31.12.2023	31.12.2022
Liabilities in EUR, average interest 7.35% variable	90.476.806	77.873.499
On due-date in 2023		4.828.230
On due-date in 2024	5.080.752	70.539.287
On due-date in 2025	82.209.008	87.719
On due-date in 2026	643.593	576.168
On due-date in 2027	656.882	1.842.095
On due-date in 2028	151.899	0
On due-date in 2029 and later	1.734.672	0
	90.476.806	77.873.499

Long-term liabilities are itemised as follows in the balance sheet:

Long-term liabilities	85.396.054	73.045.269
Current maturities	5.080.752	4.828.230
	90.476.806	77.873.499

The change in the long-term liabilities during the year is itemised as follows:

Long-term liabilities at year start	77.873.499	82.314.091
New long-term loans	16.710.893	519.918
Instalments	(4.439.144)	(4.566.173)
Accrued interest and exchange rate difference	331.558	(394.337)
Long-term liabilities at year end	90.476.806	77.873.499

Notes, continued:

17. Lease liabilities

The group leases properties, plots and automobiles for their operation. The agreements are with various parties and they are either indexed or non-indexed. The agreements vary in length and there are some plot agreements with an unspecified duration. In those cases, the duration is estimated at 50 years but because of discounting, a longer contractual period would not significantly effect the assessment of the agreement in question.

Lease assets and lease liabilities are itemised as follows:	31.12.2023	31.12.2022
Lease-liabilities at year start	9.615.718	6.867.664
New Lease Agreements	811.050	3.313.782
Indexation	624.629	829.750
Other changes to lease agreements	(12.213)	0
Interest expenditure	771.549	703.212
Exchange rate difference	59.085	(336.996)
Translation difference	5.434	(39.614)
Instalment on lease liabilities in the year	(1.801.680)	(1.722.080)
Total liabilities	10.073.572	9.615.718
Current maturities of lease liabilities	1.626.957	1.540.249
Long-term part of lease liabilities	8.446.615	8.075.469
Total liabilities	10.073.572	9.615.718

The balance of lease liabilities is itemised as follows at year-end:

The year 2023		1.540.249
The year 2024	1.626.957	1.249.965
The year 2025	1.380.001	1.058.723
The year 2026	1.058.976	856.139
The year 2027	919.746	779.463
The year 2028	853.178	723.392
For payment later	4.234.714	3.407.787
Total	10.073.572	9.615.718

Effects of lease agreements in the income statement are itemised as follows:	2023	2022
Interest expenses on lease liabilities	(771.549)	(703.212)
Depreciation of leased assets	(1.300.750)	(1.252.053)

18. Accounts payable and other current liabilities

Accounts payable and other current liabilities are itemised as follows:	2023	2022
Accounts payable	4.744.438	4.650.319
Wage-related expenses	4.060.502	3.852.011
Other current liabilities	2.867.267	2.726.014
Total accounts payable and other short-term liabilities	11.672.207	11.228.344

19. Related parties

Related parties of the Group are those parties who have a considerable effect on the company, directly or indirectly, including shareholders who own over 5% equity in the company, associated companies, board members of the parent company, the CEO, the directors and their close family members and companies owned by them.

Business positions at associated companies are itemised as follows at year-end:

	2023	2022
Long-term claims on associated companies	300.240	560.469
Short-term claims on associated companies	56.361	65.872

Notes, continued:

19. Related parties continued

Transactions with related parties are itemised as follows:

Sold products and services	71.453	123.045
Purchased products and services	29.297	15.400

20. Risk Management

Information is provided here on the risks, goals, strategy and methods of the Group in assessing and managing the risk, as well as information regarding the managing of the financial structure of the company.

The directors analyse financial risks within the operation, among other things with respect to demand, the status of markets, currencies, liquidity and loans.

Summary of risks

Financial risk
Exchange rate risk
Credit risk
Interest rate risk
Liquidity risk
Operating risk

Financial risk

It is the policy of the company's Board of Directors that the Group's capital position is strong to maintain the trust of investors, credit institutions and other market operators, as well as to support stability in the future development of the operation. The Board of The Blue Lagoon hf. has set for itself the policy that the focus should be on ensuring that the company pay to shareholders, directly or indirectly, the value created in the operation each year, in excess of investment necessary to grow and maintain the company.

Exchange rate risk

Changes in the exchange rate of currencies effect the operation of the Group. The Group mitigates currency risk by monitoring the development of the exchange rate and the composition of financial liabilities related thereto. The exchange rate risk of the Group is mainly generated through the sale of products and services and purchases of products and services in other currencies besides the operational currency. Risk due to changes in the foreign exchange rate is insignificant within the operation as the long-term loans of the company are made in their operational currency and the commercial debts in another currency have a short grace period.

A 10% strengthening of the EUR versus ISK during the year would have decreased the income of the Group by 3,530 thousand EUR.

Borrowing risk

Borrowing risk is the risk of financial loss for the Group if a business associate or a partner in a financial instrument cannot meet contractual obligations. Borrowing risk is mainly due to account receivables and other receivables.

Borrowing risk is mostly determined by the age of account receivables, the financial status of particular customers, the current financial climate and future prospects. Behind the account receivables of the Group there is a large group of customers, the largest customers of which are foreign sales agents and domestic travel agencies. The group is not considered to be subject to significant borrowing risk. Despite that, the Group forms a general write-down due to the estimated impairment of account receivables and other receivables. Ten of the biggest customers of The Blue Lagoon own about 44% of the total assets of account receivables. The write-down for these parties is not specialised, however. A significant reduction of the borrowing risk of the company has been achieved by sending the customers clams every ten days.

The Company has established credit rules and seeks to minimise the risk by taking into account the financial standing, credit ratings and the operation of individual customers as well as the standing of the industries to which the Company's largest customers belong.

Notes, continued:

20. Risk Management continued

Borrowing risk continued

The status of financial assets other than with related parties and market securities was as follows at the end of the year:

	2023	2022
Credit card claims	398.144	178.254
Accounts receivable	5.730.773	2.936.187
Other short-term claims	2.512.223	878.432
Cash and cash equivalents	14.105.418	30.817.934

Age analysis of account receivables and short-term claims on the day of accounting was as follows:

Estimated not yet due claims	10.549.909	3.262.687
Claims due	336.287	730.186

Interest rate risk

Interest risk is the risk of fair value or future cash flow of financial instruments fluctuating due to changes in the market rate of interest. Changes in the market rate of interest affect income and interest expense in the income statement. Loans of the company are in EUR and with floating-rate interest.

Sensitivity analysis of interest rate changes is made in accordance with status of financial assets and liabilities at year-end. Sensitiviy analysis assumes that the amount of financial liabilities with a floating rate of interest at year-end remains the same during the entire year. Given the 1 percentage point interest change and all other things remaining unchanged, which changes profits and equity to 747 thousand after tax.

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its financial obligations in the near future as they are due for payment. This risk is mitigated by making plans for payments and ensuring that there is sufficient cash to honour the obligations. The group ensures lines of credit to respond to fluctuations in liquidity. The following table demonstrates the obligations of the Group by their due dates. The table is determined given than payments not brought up to present value and that they are paid on the due date

31.12.2022	Total book value	Within the year	2-3 years	4-5 years	After more than 5 years
Long-term loans	77.873.499	4.828.230	70.627.006	2.418.263	
Short-term loans	4.756.361	4.756.361			
Lease liabilities	9.615.718	1.540.249	2.308.688	1.635.602	4.131.179
Accounts payable	11.228.344	11.228.344			
Deposits	3.987.716	3.987.716			
	107.461.638	26.340.900	72.935.694	4.053.865	4.131.179

31.12.2023	Total book value	Within the year	2-3 years	4-5 years	After more than 5 years
Long-term loans	90.476.806	5.080.752	82.852.601	2.543.453	
Short-term loans	7.202.073	7.202.073			
Lease liabilities	10.073.572	1.626.957	2.438.977	1.772.924	4.234.714
Accounts payable	11.672.207	11.672.207			
Deposits	2.493.849	2.493.849			
Income tax for payment	4.972.483	4.972.483			
	126.890.990	33.048.321	85.291.578	4.316.377	4.234.714

Notes, continued:

20. Risk Management continued

Operational risk

Operating risk is the risk of direct and indirect loss due to various factors in the Group's operations. Among the risk factors are the work of employees, business decisions and external events.

To reduce this risk it is appropriate, among other things, to separate tasks and life-long education and learning. Also, all major business decisions are made by the board after the executive board of the company has discussed them. Care is also taken to ensure the appropriate separation of tasks, data-security in information systems is ensured by having appropriate access restrictions in place as well as having backup in accordance with the quality standards in accordance with which the company operates. Also, the company makes operational assessments and monthly settlements are presented to the board and anomalies explained.
To reduce operational risk, the company has made several arrangements. Also, there is great and strict surveillance of the bathing lagoon at Svartsengi. That surveillance pertains to the lagoon itself, as well as to the temperature and chemical composition of the lagoon and there is also strenuous surveillance of the safety of

Blue Lagoon Skincare handles the production and sale of products made of raw material from the Blue Lagoon. The company places great emphasis on the products of the company being high quality goods. For this reason, strict quality control is maintained at all phases of production and it is ensured that all goods produced by the company are high quality goods. Through a certified governance system (ISO 9001, ISO14001, ISO45001) the operation at Blue Lagoon Skincare ehf. is managed with a risk based approach and internal controls within processes.

The governance system of The Blue Lagoon is certified in accordance with the following standards: ISO 9001 (quality control), ISO 14001 (environmental management) and ISO 45001 (health and safety management). These standards are based on a risk based approach, so that the focus is placed on the most important factors of the operation. The Blue Lagoon has a register if the main operational risks of the company, as well as business risks. The register of operational risks provides a comprehensive overview of the main risks which affect the operation of the company while business risks pertain to risks related to processes and underlying procedure in daily operations. The risk registers are based on a 5x5 risk matrix where consequences and likelihoods are assessed for possible scenarios. The greatest risks have defined controls and the company constantly works on reevaluating them to reduce the risk. The risk registers are reviewed annually by the board of directors of the company. The emergency plans of the company are in accordance with these risk registers and in cooperation with the appropriate responders in the local community.

21. Other business

Seismic Activity

As stated in the report of the board within the annual financial statements for the year 2022, significant seismic activity took place during the years 2021 and 2022 around the mountain Þorbjörn near The Blue Lagoon. The volcanic eruption began by Fagradalsfjall on 19 March 2021 which ended in December of the same year. Another eruption began on 3 August 2022 at a similar place where the eruption had ended seven weeks earlier, In neither eruption was there a danger to populated areas due to the volcanic eruptions and they did not disrupt the operation of The Blue Lagoon.
In the year 2023 there was further seismic activity, including both powerful earthquakes and volcanic eruptions. In November, a wave of earthquakes originated close by The Blue Lagoon. No damages occurred to the structures of The Blue Lagoon. However, there was significant property damage in Grindavík and the effects of the earthquakes are still emerging. Two volcanic eruptions took place near to The Blue Lagoon, one in July and one December, but both eruptions lasted a short while and neither one of them was a threat to populated areas.

There was yet another eruption nearby in January of 2024. During that eruption, lava flowed in the direction of Grindavík and a bit of lava flowed into the town, resulting in damage to buildings.

In February 2024 there was another eruption and this time lava flowed in the direction of Svartsengi. The lava did not reach The Blue Lagoon, however, and the sturdy protective structures which have been built around Svartsengi, and which will protect all operations in the area, were not tested.

After the last three volcanic eruptions, The Blue Lagoon has been made to cease operations in their premises at Svartsengi and in the year 2023 this was a total of 49 days.

Notes, continued:

21. Other business continued

Seismic Activity continued

During the past few years, much knowledge has been gathered regarding seismic activity in the unstable area in Reykjanes and in the estimation of scientists, the likelihood of a volcanic eruption at Svartsengi is slim to non-existent. In a report from the specialists of the Icelandic Meteorological Office it is stated, among other things, that a tectonic slab which covers Svartsengi was fortified in the turmoil which has taken place there lately and that the likelihood of a volcanic eruption there has therefore been reduced even further.

The responders have become experienced in assessing the danger at each time and how best to respond to volcanic eruptions and other seismic activity in the region. As events become more numerous, there is a likelihood of the operation of The Blue Lagoon at each time diminishing.

Due to the eruption in January of 2024, only a closure for 6 days was required. After the eruption in February of 2024, the operation of The Blue Lagoon was suspended for 8 days, which long duration may be traced to damage to infrastructure in the neighborhood, roads and hot-water pipes which the Civil Protection and Emergency Management deemed important to repair before the resumption of operations.

Seismic activity at Reykjanes is expected to continue, for how long is entirely uncertain. Further volcanic activity is to be expected, and that it will entail disruptions of the operation of the company. The company complies with all recommendations from responders, such as the Civil Protection and Emergency Management and the Police Commissioner of Suðurnes, in the principal aim of ensuring the safety of the employees and visitors of The Blue Lagoon It is hoped that if there are further closures due to volcanic eruptions they will only last for a few days, not least because of the protective structures at Svartsengi, as well as the fact that the volcanic eruptions have been rather small and have lasted for a short time. It is difficult to estimate the effect of the seismic activity on the operation of The Blue Lagoon in the next few years. All preventative measures have been significantly strengthened and a thorough risk assessment has, among other things, been prepared for the operation at Svartsengi, in the aim of protecting the entire operation there. The management of The Blue Lagoon is therefore optimistic that seismic activity will not significantly affect the operation of the company in the coming years, although such things are impossible to predict.

Eldvörp ehf., the subsidiary of The Blue Lagoon, owns all properties at Svartsengi utilised by the companies within the Group. These are, on the one hand, properties run by The Blue Lagoon Iceland hf. and, on the other hand, one property utilised by Blue Lagoon Skincare ehf. These properties are insured with conventional insurance and, therefore, the Natural Catastrophe insurance of Iceland is liable if there are damages due to natural disasters. These properties, their fixtures and liquid assets are insured to the amount of ISK 159.7 million.

Besides natural disasters, there are the other main threats to the Icelandic tourism industry: terrorism, armed conflict, strike actions, or other such events.

Patents

a. The company has the exclusive right until year-end of 2044 from HS Orka hf. to utilise the geothermal liquids (Blue Lagoon liquids) at Svartsengi for entertainment, therapeutic baths, treatments and also for production of any kind of skincare products and healthcare products where minerals and organic chemicals within the geothermal liquid are utilised. Payments to HS Orka hf. because of the contract amounted to 601 thousand during the year (2022: 582 thousand).

b. The company has the exclusive right to use the trademarks "Blue Lagoon" and "Bláa Lónið" in all product categories in Iceland and the logo of the company has been registered in Iceland and in some places abroad. The company also holds the registered trademark "Blue Lagoon" in the category of cosmetic products and medications in all main markets abroad and in some places also in the category of tourism and health care.

The company holds an exclusive right, approved in Europe and the USA, to the use of blue-green algae for cosmetic products and medications (WO2007129331). Also, the company holds a corresponding exclusive right within Europe of the use of silica in cosmetic products and medications (WO2007129330A1).

22. Adoption of International Accounting Standards

This is the first annual financial statement prepared in accordance with IFRS (International Financial Reporting Standards) while the accounting was conducted before in accordance with the Icelandic Act on Annual Accounts.

The company's Financial Statements are prepared in accordance with the accounting methods covered in the explanations regarding accounting methods. This also applies to comparative amounts for the year 2022 and the initial balance sheet on 1 January 2022, which is considered the day of implementation date of the international financial reporting standards at the company.

As the international accounting standards are adopted, the assets and liabilities of the consolidated companies reviewed on the date of implementation. As appropriate, previously unrecognised assets and/or liabilities are entered into the balance sheets while assets which don't fulfil the registration criteria of international accounting standards are entered from the balance sheet. The contra-entry at the registration or deregistration of assets and liabilities is generally entered into retained earnings, considering the effect on the deferred income tax as

Intangible assets are goodwill which has been generated during investment in subsidiaries. In the previous accounts of the company, the goodwill was depreciated at ten years. According to international accounting standards, goodwill cannot be depreciated linearly, but it must be evaluated at each year, or more often if there are indications that their value has decreased below the book value. At the adoption of international accounting standards, the depreciation of goodwill during the year 2022 was reversed and the goodwill was also evaluated. The result of that evaluation was that on the implementation date the goodwill remained unchanged.

The following discussion and tables demonstrate the main effects of the implementation of international financial reporting standards on the accounting of the Group. In addition to that which is stated there, explanations have been added to the annual financial statements as appropriate, as the standards contain more stringent requirements for information provision than the Act on Annual Account.

Summary of the main changes at the adoption of International Accounting Standards

Lease agreements

The group is the lessee of properties, plots and cars. Previously, the agreements were categorised as operating lease agreements according to the Act on Annual Accounts and therefore they were not entered into the balance sheet. In accordance with the requirements of the international financial reporting standards IFRS 16 on lease agreements, the Group entered the lease agreements as liabilities in the balance sheet on the date of implementation. The group evaluates lease liabilities from the future lease payments from the date of adoption of the standard, 1.1.2022 and lease assets are entered as equal to lease liabilities on the date of adoption. Neither depreciation nor interest costs are calculated from the start date of agreements to the date of adoption of the standard and therefore the method has no effect on equity at the time of adoption. The lease assets are depreciated in the estimated lease period, however, lease payments are divided into interest payments and instalments. On the date of implementation, 6,868 thousand were entered as lease liabilities and the same amount was entered as a lease asset. Further information regarding the lease agreements within the Group can be found in Explanation no. 1st floor

Fair value increase

The company utilised the authorisation in IFRS 1 to determine the book value of certain fixed assets and enter their fair value on the date of implementation. The book value of those assets at the start of the year 2022 was 73.9 million and the increase therefore amounted to 180 million. On the other hand, the restricted equity account

Notes, continued:

22. Adoption of International Accounting Standards

Income tax effect

During the implementation of the IFRS, as appropriate, the effect of changes to balance sheet items on deferred income tax is considered. On the day of implementation there is no income tax effect.

Changes in equity from the former accounting methods to the international financial reporting standards

Changes in equity at year start 2022 due to the implementation of the IFRS financial reporting stand	**Equity**
Equity acc. to the prev. issued FS (Act on Annual Accounts) 31 December 2021	54.540.534
Implementation of IFRS 16 Lease assets	6.867.664
Fair value increase of real property less depreciation	180.000.000
Change of tax obligations	(36.000.000)
Implementation of IFRS 16 Lease liabilities	(6.867.664)
Equity 1 January 2022 according to the international financial reporting standards	198.540.534

Changes in equity in the year 2022 due to the implementation of the IFRS financial reporting standa	**Equity**
Equity acc. to the prev. issued FS (Act on Annual Accounts) 31 December 2022	74.260.814
Implementation of IFRS 16 Lease agreements	103.810
Fair value increase of real property less depreciation	176.400.000
Change of the evaluation of the goodwill of the subsidiaries and associated companies	(247.451)
Change of tax obligations	(35.230.643)
Translation difference	17.231
Equity 31 December 2022 according to international financial reporting standards	215.303.761

The effect of the IFRS on the balance sheet of the Group on 1.1.2022

Assets	**Previous accounting 1.1.2022**	**Assessment change**	**Change to name or presentation**	**International invoice ınting standards 1.1.2022**
Intangible assets	557.387			557.387
Property, plant, and equipment	103.121.480	180.000.000	3.312.980	286.434.460
Lease assets		6.867.664		6.867.664
Implementation costs	3.312.980		(3.312.980)	0
Shareholdings in associated companies	4.888.202			4.888.202
Long-term claims and claims on associated parties	1.038.233			1.038.233
Tax credit	1.730.580			1.730.580
Fixed assets total	114.648.862	186.867.664		301.516.526
Inventories	3.903.819			3.903.819
Accounts receivable and other receivables	2.815.249			2.815.249
Assets identified at fair value	1.775.272			1.775.272
Cash and cash equivalents	23.688.006			23.688.006
Current assets total	32.182.346			32.182.346
Total assets	146.831.208	186.867.664		333.698.872

Notes, continued:

The effect of the IFRS on the balance sheet of the Group on 1.1.2022

Equity				
Share capital	5.258.600			5.258.600
Restricted equity	13.962.019			13.962.019
Fair value increase of real property		144.000.000		144.000.000
Retained earnings	30.504.425			30.504.425
Equity of the shareholders of parent company	49.725.044	144.000.000		193.725.044
Minority shareholders	4.815.490			4.815.490
Total Equity	54.540.534	144.000.000		198.540.534
Long-term liabilities				
Long-term liabilities	77.629.129			77.629.129
Deferred tax liability		36.000.000		36.000.000
Lease liabilities		5.327.415		5.327.415
Total long-term liabilities	77.629.129	41.327.415		118.956.544
Current liabilities				
Short-term loans	0			0
Current maturities	4.684.962			4.684.962
Lease liabilities		1.540.249		1.540.249
Accounts payable and other short-term liabilities	9.976.583			9.976.583
	14.661.545	1.540.249		16.201.794
Total equity and liabilities	146.831.208	186.867.664		333.698.872

Notes, continued:

The effect of the IFRS on the inceome statement of the Group in the year 2022

	Previous accounting 2022	Assessment change	Change to name or presentation	International invoice ınting standards 2022
	111.571.122			111.571.122
Operating revenue	111.571.122			111.571.122
Operating expenses				
Product Consumption	12.791.442			12.791.442
Wages and wage-related expenses	47.173.908			47.173.908
Other operating expenses	25.527.881	(1.722.079)		23.805.802
	85.493.231	(1.722.079)		83.771.152
Operating profits excl. depreciation and financial items	26.077.891	1.722.079		27.799.970
Depreciation	(6.620.332)	(4.766.783)		(11.387.115)
Operating profits	19.457.559	(3.044.704)		16.412.855
Financial revenue	480.156			480.156
Financial expenses	(3.688.371)	(366.216)		(4.054.587)
Changes in fair values of securities	(333.167)			(333.167)
Net financing costs	(3.541.382)	(366.216)		(3.907.598)
Impact of associated companies	767.632	(332.721)		434.911
Profits before taxes	16.683.809	(3.743.641)		12.940.168
Income tax	(3.203.326)	769.357		(2.433.969)
Net profit	13.480.483	(2.974.284)		10.506.199
Division of losses:				
Shareholders of parent company	13.331.415	(2.875.304)		10.456.111
Minority shareholders	149.068	(98.980)		50.088
	13.480.483	(2.974.284)		10.506.199