Blue Lagoon hf.

Consolidated Financial Statements
2024

Blue Lagoon hf.
Norðurljósvegur 9
241 Grindavík

ID no. 431023-1130

Contents

Endorsement and statement by the Board of Directors and the CEO

Group activities

There were minor changes to the Group during the year, but the main changes are as follows:

Blue Lagoon hf. acquired a 13.0% stake in Kerlingarfjöll ehf., but Íslenskar Heilsulindir ehf. previously owned 86.3% of the company, and the Group therefore owns 99.3% of the shares in Kerlingarfjöll ehf. at the end of 2024. A company was established in Hungary, Blue Lagoon Hungary Kft., the purpose of which is to work on software development for the parent company.

Blue Lagoon hf. has seven subsidiaries at the end of the year, which are Blue Lagoon Iceland ehf., Blue Lagoon Skincare ehf., Eldvörp ehf., Íslenskar Heilsulindir ehf., Hrauneyjar ehf., Blue Lagoon Hungary Kft. and Ferðaþjónustan Hoffell ehf.
The operations of Blue Lagoon hf. consist largely of providing various support services to other companies in the Group. These services include sales and marketing, human resources, financial services, and the management of IT systems.

The purpose of Blue Lagoon hf. and its subsidiaries is, as before, primarily the operation, development and marketing of health & wellness services, as well as the utilisation, planning and installation of the necessary facilities to carry out the aforementioned activities.

During the year, work continued on ambitious development projects within the Group. In early July 2023, operations began in a new and impressive facility in Kerlingarfjöll, and 2024 was the company's first full year of operations, and the year has been a valuable period of experience in the management of the company. In Kerlingarfjöll, guests can choose from a wide range of accommodation, as well as restaurants, a spa and a variety of recreational activities. Preparations for the construction of a hotel, spa facilities and a visitor centre in the valley of Þjórsárdalur are underway. Groundwork started this year and construction is scheduled to begin in earnest in 2025, with hopes of operations commencing in 2028.

The Consolidated Financial Statements of Blue Lagoon hf. of 31 December 2024 contain the consolidated accounts of the company and its subsidiaries.

The Blue Lagoon hf. Group presents its accounts according to International Financial Reporting Standards (IFRS).

Operations in 2024

The operating income of the Group amounted to 115,073 thousand in 2024 (140,006 thousand in 2023). EBITDA for the year was 9,576 thousand (38,834 thousand in 2023). The Group's operations suffered a loss during the year, amounting to 7,559 thousand. (profit of 18,258 thousand in 2023) according to the Income Statement. The average number of full-time employees in the Group during the year was 741 (734 in 2023). At the end of the year, the Group had 727 employees (723 at the end of 2023).

Assets at the end of the year amounted to 402,751 thousand (384,215 thousand in 2023). Of these, fixed assets amounted to 372,227 thousand at the end of the year (352,088 thousand at the end of 2023).

According to the Statement of the Financial Position, the company’s equity amounted to a total of 214,171 thousand on 31 December 2024. (219,007 thousand in 2023) The equity ratio was 53% of total capital (2023: 57%)

The debts of the company totalled 188,580 thousand on 31 December 2024 (165,208 thousand in 2023).

See note 23 for a discussion of risk management and the main risks in the Group's operations.

Report and endorsement by the Board of Directors and the CEO (continued):

Seismic Activity

In 2024, seismic activity in Reykjanes had an even greater impact on the company's operations than in 2023. Six volcanic eruptions occurred during the year in the vicinity of the Blue Lagoon, lasting a total of 121 days. The company's work facilities in Svartsengi had to be evacuated every time an eruption started, and the closures lasted for varying lengths of time. The company's staff worked tirelessly to keep operations running under completely unprecedented circumstances, as demonstrated by the fact that the Svartsengi spa only had to be closed for a total of 71 days, while the hotels had to be closed for 76 days.
In the last eruption of the year, which began on 20 November 2024, lava engulfed the customer parking lot, which had 350 spaces, but it was located outside the protective barriers. Because of this, it was necessary to build a parking lot inside the protective barriers. Construction of this new parking lot, which will have approximately 450 spaces, will be completed in May 2025. This eruption severely tested the defences around Svartsengi, and they unequivocally proved their worth.
Over the past few years, a great deal of 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. A report from the specialists of the Icelandic Meteorological Office states, among other things, that a tectonic slab which covers Svartsengi was fortified in the turmoil which has taken place there lately, making the likelihood of an eruption there negligible.
Recently, there have been stronger indications than before that this swarm of eruptions is drawing to an end, or has perhaps already ended. In 2024, it became clear that potential volcanic activity could have a major impact on the operations of the Blue Lagoon, but based on the aforementioned indicators, there is hope that this will bring an end to this period of upheaval.

The company's response teams and managers have gained experience in assessing the risks on each occasion and on how best to respond to volcanic eruptions and other seismic activity in the area, in addition to the construction of solid protective barriers around Svartsengi, designed to protect all activities in the area. This experience base is constantly being added to, which has resulted in, among other things, a significant shortening of the time it takes to shut down operations at Svartsengi during each eruption.

The company complies with all recommendations from responders, such as the Civil Protection and Emergency Management and the Police Commissioner of Suðurnes, with the principal aim of ensuring the safety of the employees and visitors of the Blue Lagoon. This is borne out by the fact that all evacuations ran smoothly and the evacuation time in all cases was approximately 40 minutes. All preventive measures have been greatly strengthened, including a detailed risk assessment for the operations in Svartsengi in consultation with the Efla engineering firm. The Blue Lagoon's managers are optimistic that the volcanic unrest will soon subside, since there is already data that indicates that the flow of magma towards the surface has decreased significantly from previous levels. It is therefore hoped that if further closures occur due to volcanic eruptions, they will be shorter than before and will not have a significant impact on the company's operations.

Note 25 in the Consolidated Financial Statement provides further information on seismic activity in Reykjanes and its impact on the operations of the Blue Lagoon hf.

Eldvörp ehf., a 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 ehf. and, on the other hand, a property utilised by Blue Lagoon Skincare ehf. These properties are insured with conventional insurance and the Natural Catastrophe Insurance of Iceland is therefore liable for damage incurred as a result of natural disasters. These properties, their fixtures and liquid assets are insured to the amount of 165.5 million.

Apart from natural disasters, other major threats to Icelandic tourism include terrorism, military conflicts, strikes or other such events.

Board of Directors and Corporate Governance

The Board of Directors of Blue Lagoon hf. has established its own rules of procedure and strives to adhere to the "Guidelines on Corporate Governance" published in a revised version by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers in February 2021. The Board of Directors of Blue Lagoon hf. comprises two women and three men, and the company's executive board, in addition to the CEO, comprises three men and three women. The company issues a corporate governance statement as part of the Group's Consolidated Financial Statements.

Report and endorsement by the Board of Directors and the CEO (continued):

Shareholders

The share capital of the company amounts to ISK 874.8 million and its book value is EUR 6,113 thousand. The company holds own shares of a nominal value of ISK 5,237 thousand. The number of shareholders at the end of the year is 81. The following are the company's ten largest shareholders at year-end:

Kólfur ehf.	24,9%
Lífeyrissjóður Verzlunarmanna (Pension Fund of Commerce)	10,5%
Stoðir hf.	7,3%
Gildi Pension Fund	7,2%
Frjálsi Pension Fund	4,8%
Söfnunarsjóður lífeyrisréttinda (SL Pension Fund)	4,4%
M4 ehf.	3,9%
Festa - pension fund	3,9%
Birta lífeyrissjóður (Pension Fund)	3,2%
Lífeyrissj.starfsm.rík. (Pension Fund for State Employees) A-deild	3,1%

The Board of the company will not propose a payment of dividends for the year 2024.

Non-financial reporting

Since its foundation, the Blue Lagoon hf. has emphasised corporate social responsibility, and the Blue Lagoon's approach to the issue has evolved in line with the development of the company and society. The Blue Lagoon's corporate social responsibility policy emphasises that nature is not an inexhaustible resource, and the company promotes sustainability in all areas, in collaboration and harmony with the community. Its principal tasks focus on environmental and quality issues, sustainability and responsible business, occupational safety and security issues. In accordance with the provisions of the Act on Annual Accounts, the company publishes a special section on non-financial disclosure which is part of the company's annual accounts. It also includes the company's reporting in accordance with the requirements of the EU Taxonomy Regulation, which entered into force on 1 June 2023. The company has prepared a special social report on the development of corporate social responsibility at the Blue Lagoon and it can be accessed on the company's website: www.bluelagoon.com.

Statement from the Board of Directors and CEO

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 2024, its assets, liabilities and financial position on 31 December 2024 and changes in cash flow during the year, in accordance with the international financial reporting standards endorsed 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 provide 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 2024 and endorsed them with their signatures.

Garðabær, 10 March 2025

On behalf of the Board of Directors:

Úlfar Steindórsson

Ragnar Guðmundsson

Ágústa Johnson

Erla Ósk Ásgeirsdóttir

Jón Sigurðsson

CEO:

Grímur Sæmundsen

Independent Auditor's Report

To the board 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 “Company”) for the year 2024. The Consolidated Financial Statements include the Consolidated Income Statement, and Consolidated Statement of Comprehensive Income, Balance Sheet, Changes in Equity, Cash Flow, a summary of material accounting policies and other notes.

In our opinion, the Consolidated Financial Statements give a clear view of the consolidated financial position of the Blue Lagoon hf. as at 31 December 2024 and of its performance and changes in cash flows in 2024 in accordance with International financial reporting standards (IFRS) adopted by the European Union and additional Icelandic requirements in accordance with Icelandic Act no.3/2006 on Annual Accounts.

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 company in accordance with applicable codes of ethics for auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Comment regarding seismic activity

Without qualifying our opinion, we draw attention to the discussion in the report of the Board of Directors and CEO and Note 25 in the Consolidated Financial Statements which points out the uncertainty caused by the impact of seismic activity.

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 requirements under Icelandic Act no.3/2006 on Annual Accounts and for the internal controls they deem 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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO shall supervise the preparation and presentation of the Consolidated Financial Statements.

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.

Independent auditor's report (continued):

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, cont'd:

We audit in accordance with ISAs and exercise professional judgement and maintain professional scepticism throughout the audit. In addition:

- We 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.

- We obtain an understanding of internal controls 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 internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

- We form an opinion 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 Company'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 Company to cease to continue as a going concern.

- We evaluate the presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether
the Consolidated Financial Statements give a fair presentation of the underlying transactions and events.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to be able to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the 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 provisions of the second paragraph of Article 104 of Act No. 3/2006 on Annual Accounts, 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 under the Annual Accounts Act if not disclosed elsewhere in the financial statements.

Garðabær, 10 March 2025.

KPMG ehf.

Ólafur Már Ólafsson

Díana Hilmarsdóttir

Income Statement and Consolidated Statement of Comprehensive Income for the year 2024

	Note	2024	2023
Operating income	4	115.072.553	140.005.759
Operating expenditure			
Cost of goods sold		14.214.954	16.438.706
Salaries and other salary related expenses	5	62.933.943	56.903.837
General operating costs	6	28.347.309	27.829.260
		105.496.206	101.171.803
Earnings before interest, taxes, depreciation, and amortisation. (EBITDA)		9.576.347	38.833.956
Depreciation	9.10	(14.023.735)	(12.038.048)
Operating (loss) profit		(4.447.388)	26.795.908
Financial income		2.659.577	2.705.879
Financial expenditure		(9.033.149)	(6.677.968)
Changes in fair value of securities		13.835	(483.205)
Net financing costs	7	(6.359.737)	(4.455.294)
Impact from associated companies	11	1.362.748	727.807
(Loss) earnings before income tax		(9.444.377)	23.068.421
Income tax	17	1.885.210	(4.810.481)
(Loss) profits for the year		(7.559.167)	18.257.940
Other comprehensive income			
Items entered directly into equity but may later be entered in the income statement:			
Translation difference due to the operations of subsidiaries		2.007.133	298.087
Comprehensive income for the year		(5.552.034)	18.556.027
Breakdown of profit (loss) for the year:			
Shareholders of the parent company		(7.170.821)	18.540.940
Minority shareholders		(388.346)	(283.000)
		(7.559.167)	18.257.940
Breakdown of comprehensive income:			
Shareholders of the parent company		(5.207.726)	18.652.549
Minority shareholders		(344.308)	(96.522)
		(5.552.034)	18.556.027
(Loss) earnings per share:			
Basic (loss) earnings per share		(1,25)	2,99
Basic (loss) earnings and diluted (loss) earnings per share		(1,25)	3,05

The notes on pages 12 to 26 are an integral part of the financial statements.

Statement of Financial Position 31 December 2024

	Note	31.12.2024	31.12.2023
Assets			
Goodwill	8	10.223.320	9.161.240
Property and equipment	9	337.592.232	318.997.080
Lease properties	10	10.563.677	9.850.070
Holdings in associate companies	11	12.993.245	11.837.251
Holdings in other companies	11	243.764	247.567
Claims against related parties	22	0	300.240
Tax assets	17	610.609	1.694.999
Fixed assets		372.226.847	352.088.447
Inventories	12	6.915.235	6.240.597
Accounts receivable and other short-term claims	13	4.903.490	10.886.196
Investments measured at fair value	14	881.167	894.072
Cash and cash equivalents	15	17.824.104	14.105.418
Current assets		30.523.996	32.126.283
Total assets		402.750.843	384.214.730
Equity			
Share capital		6.079.892	6.063.106
Restricted equity		146.610.058	152.032.552
Retained earnings		61.183.286	59.642.461
Shareholders' equity		213.873.236	217.738.119
Minority interest		298.073	1.268.531
Equity	16	214.171.309	219.006.650
Liabilities			
Long-term obligations	18	102.925.943	85.396.054
Income tax liabilities	17	35.350.192	38.317.090
Lease liabilities	19	9.377.279	8.446.615
Long-term obligations		147.653.414	132.159.759
Short-term loans	20	8.485.372	7.202.073
Current maturities of long-term obligations	18	8.518.625	5.080.752
Lease liabilities	19	2.066.098	1.626.957
Accounts payable and other short-term liabilities	21	16.906.800	11.672.207
Prepaid services		4.941.354	2.493.849
Income tax due	17	7.871	4.972.483
Short-term debts		40.926.120	33.048.321
Total liabilities		188.579.534	165.208.080
Total liabilities and equity		402.750.843	384.214.730

Consolidated Statement of Changes in Equity 2024

2023	Share capital	Restricted Equity*	Retained earnings	Shareholders' equity	Minority share	Total equity
Equity 1.1.2023	5.258.600	154.505.604	43.970.242	203.734.446	11.569.315	215.303.761
Comprehensive income for the year		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 divisions and mergers	859.147	(659.117)	(200.030)			0
Transferred from restricted equity		2.668.691	(2.668.691)			0
Equity 31.12.2023	6.063.106	152.032.552	59.642.461	217.738.119	1.268.531	219.006.650
2024						
Equity 1.1.2024	6.063.106	152.032.552	59.642.461	217.738.119	1.268.531	219.006.650
Comprehensive income for the year		1.963.095	(7.170.821)	(5.207.726)	(344.308)	(5.552.034)
Own shares sold	16.786	1.326.057		1.342.843		1.342.843
Minority share decrease					(626.150)	(626.150)
Transferred from restricted equity		(8.711.646)	8.711.646			0
Equity 31.12.2024	6.079.892	146.610.058	61.183.286	213.873.236	298.073	214.171.309

***Non-distributable equity statements are itemised as follows:**

	Premium account	Statutory reserve	Non-distributable share account	Fair value increase Property	Translation-difference	Total
Restricted 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)
Annual translation difference					111.608	111.608
Effects of divisions and mergers			(659.117)			(659.117)
Transferred from restricted equity			5.548.691	(2.880.000)		2.668.691
Restricted equity 31.12.2023	7.350.101	1.314.650	6.921.485	138.240.000	(1.793.684)	152.032.552
Restricted equity 1.1.2024	7.350.101	1.314.650	6.921.485	138.240.000	(1.793.684)	152.032.552
Own shares sold	1.326.057					1.326.057
Annual translation difference					1.963.095	1.963.095
Transferred from restricted equity			(5.831.646)	(2.880.000)		(8.711.646)
Restricted equity 31.12. 2024	8.676.158	1.314.650	1.089.839	135.360.000	169.411	146.610.058

Consolidated Statement of Cash Flows 2024

	Note	2024	2023
Operating activities			
Operating (loss) profit		(4.447.388)	26.795.908
Non-cash items included in operating (loss) profit:			
Depreciation	9.10	14.023.735	12.038.048
Working capital from operations		9.576.347	38.833.956
Changes in operation-related assets and liabilities:			
Inventory, change		(674.638)	(1.175.777)
Short-term claims, change		7.911.588	(6.893.323)
Short-term liabilities, change		6.517.118	(1.050.004)
Changes in operation-related assets and liabilities		13.754.068	(9.119.104)
Interest received		2.659.577	2.030.594
Interest paid		(7.749.843)	(6.204.682)
Paid income tax		(4.972.483)	57.515
Cash from operations		13.267.666	25.598.279
Investment activities			
Investments in tangible assets	9	(28.613.991)	(34.294.218)
Securities holdings, change		66.838	354.559
Dividends received from associate companies		771.885	181.281
Share purchases in subsidiaries		(589.175)	(18.098.913)
Loans to related parties, change	22	300.240	520.675
		(28.064.203)	(51.336.616)
Financing activities:			
Own shares, change		(716.693)	(4.652.389)
New share capital		0	3.514
New short-term loans		0	2.445.712
Repayments of long-term loans	18	(3.875.042)	(4.439.144)
Repayments of lease liabilities		(1.990.517)	(1.042.765)
New long-term loans	18	112.000.000	16.710.893
Maturities of long-term loans	18	(86.902.525)	0
		18.515.223	9.025.821
Changes in cash and cash equivalents		3.718.686	(16.712.516)
Cash and cash equivalents at beginning of year		14.105.418	30.817.934
Cash and cash equivalents at the end of year		17.824.104	14.105.418

The notes on pages 12 to 26 are an integral part of the financial statements.

Notes

1. General information

The Blue Lagoon hf. is based in Iceland and the headquarters of the company are 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”.

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) endorsed by the EU.

b. Going concern assumption

The Group management has made an assessment of the ability to continue as a going concern. It is satisfied that the Group's continued operation is guaranteed and well equipped to meet its obligations in the foreseeable future. The Consolidated Financial Statements are therefore prepared on a going concern basis.

The Board of The Blue Lagoon hf. confirmed the annual financial statements on 10 March 2025.

c. Evaluation methods

The Financial Statements are prepared on a cost basis, apart from the securities which are measured at fair value.

d. Functional and presentation currency

The financial statements are presented in euros (EUR), which is the functional currency of the parent company.

e. Estimates and decisions

The preparation of Consolidated Financial Statements in accordance with International Accounting Standards requires management to make decisions and estimates and draw conclusions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

The estimates and their assumptions are under constant review. Changes in accounting estimates are recognised in the period in which the change occurs and in future periods affected by the change. The most challenging items for the management’s estimates and conclusions are leases, cf. note 9, and intangible assets, cf. note 3 (g).

3. Material accounting policies

The accounting policies described below have been consistently applied to all the periods presented in the Group's Consolidated Financial Statements.

a. Acquisition of companies

The acquisition method is applied to mergers when control is transferred to the Group. The acquisition is generally measured at fair value, as are the identifiable assets and liabilities that are taken over. When the company is the acquiring party in a merging of companies goodwill may be generated. The amounts allocated to acquired assets and liabilities are based on assumptions and estimates of the fair value of these assets and debts. During the assessment, managers consult with independent and accredited evaluators as appropriate. Changes in assumptions and estimates might entail changes in the value which was allocated to certain assets and the estimation of their useful lifetime, which might impact the amounts or timing of cumulative charges to the Income Statement of the Group as depreciation.

b. Foreign currencies

Transactions in foreign currencies are entered in the functional currency of the company at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recorded at the rate that applies on the date of settlement. All foreign exchange rate differences are entered in the income statement. Foreign currencies refer to all currencies other than euros. The exchange rate of the euro against the Icelandic króna according to the Central Bank of Iceland is as follows:

	31.12.2024	31.12.2023
Year-end exchange rate (EUR to ISK)	143,90	150,50
Average exchange rate for the year (EUR to ISK)	149,31	149,14

Assets and liabilities arising from the operations of subsidiaries and holdings in associated companies with a functional currency other than the euro are translated into euros at the exchange rate of the currency at the end of the year, while their operating results are translated at the average exchange rate for the year. Exchange rate differences arising from the conversion into euros are recorded in a separate equity account. If the operations of these companies are sold, in whole or in part, the related exchange rate difference is reclassified under other comprehensive income.

c. Financial instruments other than derivatives

Financial assets are measured at cost less accumulated depreciation. Financial instruments that are not derivative contracts include accounts receivable and other claims, cash and cash equivalents, borrowings, accounts payables and other short-term liabilities.

Financial instruments other than derivative agreements are established at fair value on initial recognition in the accounts. When financial instruments are not measured at fair value through the income statement, all direct transaction costs are recorded as a charge, increasing their value on initial recognition in the accounts. After their initial recognition, financial instruments that are not derivative agreements are recorded in the manner described below:

Financial assets measured at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus all related transaction costs. Subsequent to initial recognition, the loans and claims are measured at amortised cost price based on the effective interest rate, less impairment, when applicable. Loans and claims consist of cash and cash equivalents, securities holdings, contracts, accounts receivable and other claims.

Financial assets

Cash and cash equivalents, accounts receivable and other short-term claims are measured at amortised cost. Investments in listed shares and bonds are entered at fair value and changes in fair value are recognised in the income statement.

Financial liabilities

The Group's financial liabilities are measured at amortised cost.

d. Associates

Associates are those entities over which the Group has a significant influence over the company’s operational and financial policies, but not control. Holdings in associates are accounted for using the equity method. Associates are initially recognised at cost price, which includes transaction costs. After initial recognition, the Group's share 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 entities controlled by the Group. Control exists when the Group assumes responsibility for risks and 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 the consolidated accounts from the date that control commences until the date that control ceases.

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

f. Other companies

Holdings in other companies, where the company owns less than 20% of the share capital, are recorded at cost price. Dividends from these companies are recognised in income under capital gains when they are allocated.

g. 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 is subject to impairment testing at least once a year, but more often if there are indications of impairment. When the goodwill is evaluated it is allocated to the cash-generating unit to which it is connected.

Goodwill is evaluated using cash flow projections based on actual figures.

3. Material accounting policies continued

h. Property and equipment

Property and equipment are measured at cost price less accumulated depreciation and impairment losses. The cost price includes direct costs incurred in the purchase.

Costs incurred to replace parts of individual items of property and equipment are capitalised as property and equipment if it is probable that the future economic benefits embodied in the item will flow to the Group and the cost can be measured reliably. All other costs are recognised in the Income Statement as incurred. Financing costs during the construction period are capitalised until the relevant asset comes into use.

Depreciation

Depreciation is entered into the income statement on a straight-line basis based on the estimated useful life of the individual item of property and equipment. Plots of land are not depreciated.

The estimated useful life is determined as follows:

Property	25-50 years
Other fixed assets	4-10 years

The final price is re-evaluated annually, except when the amount in question is insignificant.

i. Leases

As a leaseholder, 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 12 months or less or is a lease agreement where the value of the underlying assets is low. Lease properties are initially stated at cost, which is the initial amount of the lease liabilities plus lease payments from the Group, on or before the start date of lease agreements. Lease liabilities are initially recognised in accordance with the current value of lease payments which are unpaid on the start date of the lease agreement, where the current value of lease payments is determined by using the interest built into the lease, if it can be reliably assessed, but if not based on the interest rate on new credit capital. The Group relies on the interest rate on new credit capital.

Lease properties are depreciated on a straight-line basis from the start date of agreements to the end of the term of the lease. When determining the rental period various factors such as termination and extension options may have to be considered as well as buy options if applicable. Subsequent to initial recognition in the accounts, calculated interest expenses are entered to increase the lease liabilities and lease payments are entered to decrease it. The carrying amount of lease liabilities is reassessed when there is a change in future lease payments due to, for example, indexation or changed assumptions about the exercise of extension or termination rights. When the carrying amount of lease liabilities is re-evaluated in this way, a corresponding adjustment is made to the carrying amount of leased assets. Variable lease payments that are not linked to interest rates or indices are credited when they occur.

Variable lease payments which are based on turnover are not included in the evaluation 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 entered as expenses in the income statement to the degree that they occur. Lease properties are separately itemised in the balance sheet among fixed assets. Lease liabilities are separately itemised in the balance sheet and divided into long-term and short-term components. Depreciation of lease properties is included in the income statement under depreciation. Interest expenses on lease liabilities are included in the income statement under financial expenses.

The determined interest rate and lease term are as follows:	**Determined Interest**	**Rental period**
Lease agreements	5.6 - 13.3%	2-50 years
Land lease agreements	7.2 - 9.9%	2-47 years
Car lease agreements	8.0 - 14.0%	3 years

3. Material accounting policies continued

j. Inventories

Inventories are measured at cost or net sale value, whichever is lowest The cost of inventory is based on the First In, First Out principle (FIFO) so that the first goods to be sold are the first goods purchased. Costs incurred in obtaining the inventories and bringing them to their location and in the condition in which they find themselves on the day of settlement are part of the cost price. Products are valued at their average production cost, which includes direct and indirect production costs.

k. Cash and cash equivalents

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

l. Impairment

Financial assets

On each settlement date, a check is conducted to ascertain whether there are objective indicators of impairment of financial assets, which are not measured at fair value. A financial asset is impaired if there is objective evidence that one or more events that have occurred indicate that the asset's expected future cash flows are 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 expected future cash flow, based on the initial effective interest rate, on the other hand. Impairment of financial assets available for sale is determined on the basis of their fair value at any given time. Individually important 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 income statement.

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

Other assets

The carrying amounts of the Group's other assets, excluding inventories, are reviewed at each reporting date to assess whether there is any indication of impairment. If there is any indication of this, the recoverable amount of that asset is estimated. Impairment tests are performed at least annually on goodwill.

The recoverable amount of an asset or cash-generating unit is its net fair value or value in use, whichever proves higher. Value in use is discounted at a pre-tax rate that reflects the market's assessment of the time value of money and the risks specific to the asset.

Impairment is recognised when the carrying amount of the asset or cash- generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely 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 subsequently as a proportional reduction of the book value of other assets belonging to the unit. Impairment is entered as an expense in the income statement.

An impairment of goodwill is not reversed. Impairment losses on other assets from prior periods are assessed at each reporting date to determine whether there is any indication that the impairment has decreased or reversed. Impairment is reversed if there has been a change in the assessment used to calculate a recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed what it would have been if no impairment loss had been recognised.

Notes

3. Material accounting policies continued

m. Income

Sold products and services
Revenue from the sale of goods and services is recognised in the income statement when control is transferred to the buyer, which is usually upon delivery of the goods or at the time the service is provided.

As stated in Note 4, the company has four main sources of income.

Spa	This mainly refers to the entrance fee into the bathing lagoon and related services.
Catering	Restaurant sales take place in the hotels owned by the Group and there are also restaurants in and around the bathing lagoon.
Accommodation	The Blue Lagoon Iceland ehf. operates two hotels. There are also hotel operations in Kerlingarfjöll ehf., Hrauneyjar ehf. and at Ferðaþjónustan Hoffell ehf.
Product sales	Product sales in the Group are largely sales of skincare products under the heading of Blue Lagoon Skincare ehf.

4. Operating income

	2024	2023
Spa	50.855.757	62.462.301
Catering	25.264.481	33.846.420
Accommodation	19.738.748	22.786.658
Product sales	13.813.867	14.557.317
Miscellaneous	5.399.700	6.353.063
Total operating income	115.072.553	140.005.759

5. Salaries and related expenses

	2024	2023
Wages	48.306.186	44.249.755
Pension contributions	6.462.294	5.939.885
Social security tax	3.724.699	3.411.956
Other salary-related expenses	4.440.764	3.302.241
Salaries and salary-related expenses	62.933.943	56.903.837
Average number of full-time equivalent positions	741	734
Average equivalent position at year-end	727	723

The salaries of the Board of Directors and CEO totalled 1,580 thousand during the year. (2023: 1,524 thousand.)

6. General operating costs

	2024	2023
Property operations	5.351.550	4.251.162
Purchased services	5.695.070	5.854.307
Marketing costs	4.191.419	4.265.508
IT expenses	1.854.869	1.572.969
Other operating expenses	11.254.401	11.885.314
Total	28.347.309	27.829.260

7. Financial income

	2024	2023
Interest income from bank deposits, securities and receivables	1.824.902	2.621.038
Foreign exchange gain	834.675	84.841
Total financial income	2.659.577	2.705.879

Financial expenses

	2024	2023
Interest expenses on long-term loans	(8.066.007)	(5.750.633)
Interest expenses on lease obligations	(892.675)	(771.549)
Other interest expenses	(74.467)	(155.786)
Total financial expenses	(9.033.149)	(6.677.968)
Changes in fair value of securities	13.835	(483.205)
Net financing costs	(6.359.737)	(4.455.294)

8. Goodwill

Goodwill is tested for impairment annually.

	2024	2023
Total balance	9.161.240	557.387
Additions during the year	1.062.080	8.603.853
Balance at 31.12.	10.223.320	9.161.240

8. Goodwill continued

The company's goodwill arose from the acquisition of subsidiaries.

Impairment testing
At the end of the financial year, an impairment test was performed on the company's goodwill. When measuring the impairment, capital flow projections entered at present value, are used. When calculating present value, an interest rate corresponding to the weighted average of financial expenses was used, i.e. costs due to liabilities and equity, taking into account income tax. If the valuation of goodwill, which is the value in use or fair value depending on which is highest, turns out to be lower than the carrying amount, the difference is recognised as an expense. The result of the test did not reveal any impairment.
The main assumptions used in the assessment are shown below. The positions are based on management's assessment of the future prospects of the relevant cash flow units and are based on historical data.

	2024
Yield (WACC)	10-12%

The company's management makes detailed plans one year in advance, which are then extrapolated. The plans have been endorsed by the company's management. Future growth is based on management's long-term forecast of future growth.

Realistic changes in assumptions at year-end 2024 would not result in an impairment.

9. Property and equipment

	Property and land	**Other operational assets**	**Total**
Gross amount			
Cost at 1.1.2023	316.927.905	22.070.917	338.998.822
Translation difference of period	(24.936)	(22.498)	(47.434)
Additions during the year	25.278.876	9.015.342	34.294.218
Sold during the year	(184.917)	(2.141.058)	(2.325.975)
Cost at 31.12.2023	341.996.928	28.922.703	370.919.631
Cost at 1.1.2024	341.996.928	28.922.703	370.919.631
Annual translation difference	2.680.685	166.122	2.846.807
Additions during the year	16.183.909	12.430.082	28.613.991
Sold and retired during the year	(42.468)	(544.073)	(586.541)
Cost at 31.12.2024	360.819.054	40.974.834	401.793.888
Depreciation			
Depreciation 1.1.2023	31.773.448	11.741.933	43.515.381
Annual translation difference	3.010	(7.167)	(4.157)
Depreciation during the year	6.661.635	3.926.060	10.587.695
Sold and retired during the year	(101.465)	(2.074.903)	(2.176.368)
Depreciation 31.12.2023	38.336.628	13.585.923	51.922.551
Depreciation 1.1.2024	38.336.628	13.585.923	51.922.551
Annual translation difference	150.190	50.720	200.910
Depreciation during the year	7.225.991	5.306.946	12.532.937
Sold and retired during the year	(50)	(454.692)	(454.742)
Depreciation 31.12.2024	45.712.759	18.488.897	64.201.656
Carried amount			
1.1.2024	303.660.300	15.336.780	318.997.080
31.12.2024	315.106.295	22.485.937	337.592.232
Depreciation ratio	0-4%	10-25%	

The real estate value of the Group's properties and land totalled 89.8 million at the end of 2024 (2023: 81.9 million). In the same period, the insured value of the Group's real estate was 182.8 million. (2023: 155.5 million) The insured value of assets other than real estate amounted to 42.5 million at year-end (2023: 33.5 million) The company's assets and buildings are insured against fire by the Blue Lagoon Insurance Company, and therefore the Icelandic Natural Disaster Insurance Company is liable for compensation in the event of damage due to natural disasters.

10. Lease properties

The Group's lease properties are classified as follows:

	Property	Land	Vehicles	Total
Lease properties 1.1.2023	5.343.548	3.881.993	496.240	9.721.781
New leases		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
Carrying amount 31.12.2023	4.954.528	4.348.489	547.053	9.850.070
Lease properties 1.1 2024	4.954.528	4.348.489	547.053	9.850.070
New leases	927.843	271.954	882.339	2.082.136
Other changes to agreements	(155.102)	(60.304)	(366.077)	(581.483)
Depreciation during the year	(828.379)	(134.413)	(396.207)	(1.358.999)
Translation difference	433	85.187	2.681	88.301
Indexation during the year	292.371	133.478	57.803	483.652
Carrying amount 31.12.2024	5.191.694	4.644.391	727.592	10.563.677

Depreciation of the year in the income statement is itemised as follows:

	2024	2023
Depreciation of fixed assets, cf. note 9	12.532.937	10.587.695
Disposals and write-offs during year, cf. note 9	131.799	149.603
Depreciation of lease properties	1.358.999	1.300.750
	14.023.735	12.038.048

11. Companies in the Group

The Consolidated Financial Statements include the following companies:

Company	Holding	Activities
Blue Lagoon Iceland ehf., Grindavík	99%	Blue Lagoon Iceland ehf. manages the Blue Lagoon's operations in Svartsengi.
Eldvörp ehf., Grindavík	100%	Eldvörp ehf. is a real estate company that owns all properties at Svartsengi which the Blue Lagoon Iceland ehf. 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 and they are rented exclusively to Blue Lagoon employees. Due to seismic activity during the year, the apartments were not permitted to be used.
Jarðvangur ehf., Grindavík	100%	The company owns a plot of land which stands at the intersection of Reykjanesbraut and Grindavíkurvegur. It is not yet clear how the plot will be used in the future.
Íslenskar Heilsulindir ehf., Grindavík	100%	Íslenskar Heilsulindir ehf. is a holding company for investment in companies in the tourism and leisure sector, including the operation of bathing lagoons.
Rauðukambar ehf, Grindavík	97%	Rauðukambar ehf. works on the development of tourism operations at Þjórsárdalur. The company is expected to commence operations in 2028.
Kerlingarfjöll ehf, Grindavík	99%	Kerlingarfjöll ehf. manages tourism operations in Kerlingarfjöll. The company commenced operations in mid-2023.

11. Companies in the Group (continued)

Blue Lagoon Skincare ehf, Grindavík	100%	Blue Lagoon Skincare manages the production and sale of products made of bioactive compounds found in the subterranean sea water of the Blue Lagoon. The company has three foreign subsidiaries that handle the sales and distribution of these products.
Blue Lagoon USA, United States	100%	The company handles sales of Blue Lagoon Skincare products in the United States and Canada.
Blue Lagoon NL B.V., Netherlands	100%	The company handles sales of Blue Lagoon Skincare products, primarily in Europe.
Blue Lagoon Skincare UK Limited, UK	100%	The company has not commenced operations.
Blue Lagoon Journeys ehf., Grindavík	100%	A holding company for Þjónustumiðstöðin Reykjanes ehf.
Þjónustumiðstöðin Reykjanes ehf., Grindavík	80%	The company is developing a service centre at the Reykjanes Lighthouse, with operations scheduled to begin in 2025.
Ferðaþjónustan Hoffell ehf., Höfn in Hornarfjörður	100%	The company runs travel services in the Hoffell area at Öræfi.
Hrauneyjar ehf., Hella	100%	The company owns and operates hotels in the highlands.
Blue Lagoon Hungary Kft., Hungary	100%	Blue Lagoon Hungary is part of the Group's Digital and Data team, based in Budapest.

Holdings in associates and other companies

The holdings in associated companies are in the companies Gufa - Laugarvatn Fontana ehf. in Laugarvatn, Jarðböðin hf. at Mývatn, Norðurböðin hf. in Akureyri and Hreyfing ehf., Reykjavík. Gufa - Laugarvatn Fontana ehf. and Jarðböðin ehf. operate bathing lagoons. Norðurböðin is a holding company for holdings in bathing facilities, while Hreyfing ehf. operates a fitness centre of the same name in Reykjavík.

	Shareholding	Impact of associates in period	Book value 31.12.2024	Book value 31.12.2023
Gufa - Laugarvatn Fontana ehf., Laugarvatn	44,7%	549.414	1.845.896	1.219.877
Norðurböð hf.,Akureyri	34,0%	(34.221)	6.364.086	6.118.947
Jarðböðin hf., Mývatn	25,3%	668.674	4.435.596	3.757.837
Hreyfing ehf., Reykjavik	22,0%	178.881	347.667	740.590
		1.362.748	12.993.245	11.837.251
Holdings in other companies:				
Other companies (four)			243.764	247.567

12. Inventories

Inventories consist of raw materials and finished goods that have been purchased and processed for resale, as well as catering and operating supplies.

Inventories during the year are broken down as follows:

	31.12.2024	31.12.2023
Products for resale	4.543.911	3.647.364
Catering	1.303.474	1.379.199
Operational goods	1.067.850	1.214.034
	6.915.235	6.240.597

Notes

13. Accounts receivable and other short-term claims

	31.12.2024	31.12.2023
Accounts receivable	2.135.919	5.529.846
Write-down of claims	(60.980)	(41.094)
Claims on associated parties	315	56.361
Other short-term claims	2.828.236	5.341.083
Accounts receivable and other claims, total	4.903.490	10.886.196

Impairment loss allowance for claims:

	31.12.2024	31.12.2023
Balance at beginning of year	41.094	17.313
Depreciated fully during year	(26.828)	(10.113)
Expensed during year	46.714	33.894
Impairment loss allowance at year-end	60.980	41.094

14. Investments measured at fair value

	31.12.2024	31.12.2023
Equities listed on Nasdaq OMX Iceland	730.508	638.671
Shares listed on NASDAQ First North	150.659	255.401
Investments stated at fair value, total	881.167	894.072

15. Cash and cash equivalents

Cash at year-end breaks down as follows:	31.12.2024	31.12.2023
Unrestricted bank deposits	2.811.236	2.017.234
Deposits from acquirers	1.023.325	263.460
Short-term securities	13.989.543	11.824.724
Cash and cash equivalents in total	17.824.104	14.105.418

16. Equity and capital adequacy

Share Capital

According to the company's Articles of Association, its equity is ISK 874.8 million and each share amounts to one króna. Each share carries one vote. The share capital of the Company is all paid up. The company holds its own shares of a nominal value of ISK 5,237 thousand, see more details in the statement of equity.

Restricted equity

Restricted equity consists of a share premium account, a statutory reserve, a non-distributable reserve and translation differences due to subsidiaries and associated companies.

Share premium account of paid share capital

The share premium account of paid share capital 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 the Public Limited Companies Act, the company must set aside 25% of the nominal value of its share capital in a reserve fund that may not be used to pay dividends to shareholders.

Non-distributable reserve

A non-distributable reserve contains the share of subsidiaries and associated companies in the accrued profits that are in excess of allocated dividends from the companies in question. It is not permitted to use a non-distributable reserve to pay dividends to shareholders.

Increase in fair value of real estate

Certain properties were revalued to their fair value on the IFRS implementation date, which was 1.1.2022, and the fair value equity reserve will decrease in line with the depreciation of the properties.

Translation difference

Translation difference consists of an exchange-rate difference which arises during the translation of the balance sheets of subsidiaries and associated companies into the functional 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 own fund items.

17. Income tax liabilities

Calculated income tax in the income statement is disclosed as follows:

	31.12.2024	31.12.2023
Income tax due	7.871	4.972.483
Changes in tax assets	(1.893.081)	(162.002)
Income tax recognised in the income statement	(1.885.210)	4.810.481

Effective tax rate:

		2024		2023
(loss) earnings before income tax.		(9.444.377)		23.068.421
Income tax according to tax rate	21,0%	(1.983.319)	20,0%	4.613.684
Other changes	1,0%	98.109	0,9%	196.767
Income tax in the income statement	20,0%	(1.885.210)	20,9%	4.810.451

Income tax liabilities (tax assets) are broken down as follows:

	31.12.2024	31.12.2023
Income tax liabilities at beginning of year	36.622.091	36.726.578
Adjusted position 1.1 2023	0	54.443
Overtaken with merger	(28)	0
Difference between estimates and imposed public levies for previous year	40.140	0
Calculated income tax recognised in the income statement	(1.885.216)	4.810.481
Income tax due	0	(4.972.483)
Foreign exchange differences	(37.404)	3.072
Income tax liability at end of period	34.739.583	36.622.091

Income tax liabilities (tax asset) are divided as follows at year-end:

	31.12.2024	31.12.2023
Property and equipment	37.157.276	38.422.529
Leases	(573.860)	(44.701)
Inventories	1.085	34.197
Accounts receivable	(10.483)	(201)
Deferred exchange rate differences	22.748	(67.238)
Tax loss carry forward	(3.118.670)	(1.908.868)
Other financial items	(28)	0
Impairment of tax assets	1.261.515	186.373
Income tax liabilities at end of period	34.739.583	36.622.091

18. Long-term liabilities

Long-term liabilities for the year are broken down as follows:

	31.12.2024	31.12.2023
Average interest rate 7.19% variable	111.444.568	90.476.806
2024		5.080.752
2025	8.518.625	82.209.008
2026	7.560.553	643.593
2027	7.560.553	656.882
2028	7.560.553	151.899
2029	78.531.243	151.899
Later	1.713.041	1.582.773
Total	111.444.568	90.476.806

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

	31.12.2024	31.12.2023
Long-term liabilities	102.925.943	85.396.054
Repayments within 12 months:	8.518.625	5.080.752
	111.444.568	90.476.806

	31.12.2024	31.12.2023
Long-term liabilities at beginning of year	90.476.806	77.873.499
New long-term loans	112.000.000	16.710.893
Repaid loans	(86.902.525)	0
Repayments	(4.757.171)	(4.439.144)
Accrued interest and exchange rate differences	627.458	331.558
Long-term liabilities at year-end	111.444.568	90.476.806

19. Lease liabilities

The Group leases properties, land and vehicles for its operations. The agreements are with various parties and are either indexed or non-indexed. The agreements vary in length and there are some land agreements with an unspecified duration. In such cases, the duration is estimated at 50 years but because of discounting, a longer contractual period would not significantly affect the assessment of the relevant agreement.

Lease liabilities are classified as follows:	31.12.2024	31.12.2023
Lease liabilities at beginning of year	10.073.572	9.615.718
New leases	2.082.136	811.050
Indexation	483.651	624.629
Other changes to lease agreements	(581.483)	(12.213)
Interest expenses	892.275	771.549
Foreign exchange differences	390.381	59.085
Translation difference	93.362	5.434
Payments of lease liabilities during the year	(1.990.517)	(1.801.680)
Total lease liabilities	11.443.377	10.073.572
Repayments within 12 months:	2.066.098	1.626.957
Long-term portion of lease liabilities	9.377.279	8.446.615
Total lease liabilities	11.443.377	10.073.572

The remaining lease liabilities are broken down as follows at year-end:

2024		1.626.957
2025	2.066.098	1.380.001
2026	1.658.340	1.058.976
2027	1.348.531	919.746
2028	1.168.398	853.178
2029	936.405	703.120
Later	4.265.605	3.531.594
Total	11.443.377	10.073.572

The impact on leases in the Consolidated Income Statement is as follows:	2024	2023
Interest expenses on lease liabilities	(892.275)	(771.549)
Depreciation of rental properties	(1.358.999)	(1.300.750)

20. Short-term loans

A subsidiary in the Group entered into an agreement with Landsbankinn for a credit line for construction in Kerlingarfjöll. Appendices have been made to the agreement and at the end of 2024 the company had completely drawn on the line of credit along with accrued interest amounting to 8,485 thousand. The credit line agreement expires in January 2025. Refinancing has been agreed upon at the beginning of 2025 and no instalments are expected in 2025.

21. Accounts payable and other short-term liabilities

Accounts payable and other short-term liabilities are broken down as follows:	2024	2023
Accounts payable	9.953.245	4.744.438
Salary-related expenses	5.659.899	4.060.502
Other short-term liabilities	1.293.656	2.867.267
Total accounts payable and other short-term liabilities	16.906.800	11.672.207

22. Related parties

Related parties of the Group are those parties that have a significant influence on the company, directly or indirectly, including shareholders who own more than 5% of the company's share capital, associated companies, members of the parent company's board of directors, the CEO, managing directors and their close family members, and companies owned by them.

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

	2024	2023
Long-term claims on associated companies	0	300.240
Short-term claims on affiliated companies	315	56.361

22. Related parties (continued)

Transactions with related parties during the year are as follows:

	2024	2023
Sold products and services	301.170	71.453
Purchases products and services	40.517	29.297

23. Risk Management

Information is provided here on the risks, goals, policies and methods of the Group in assessing and managing risk, in addition to information regarding the managing of the financial organisation of the company.

Management analyses financial risks in operations, including with regard to demand, market conditions, currencies, liquidity and lending.

Summary of risk

Financial risk
Exchange rate risk
Credit risk
Interest rate risk
Liquidity risk
Operational Risk:

Financial risk

It is the policy of the Board of Directors to ensure that the Group's capital position is strong in order to maintain the trust of investors, credit institutions and other market participants, as well as to support stability in the future development of activities. The Board of Directors of The Blue Lagoon hf.has established a policy that places an emphasis on ensuring that the company, directly or indirectly, returns to shareholders the value created in operations each year, in excess of the necessary investment to grow and maintain the company.

Exchange rate risk

Changes in currency exchange rates affect the Group's operations. The Group minimises currency risk by monitoring exchange rate developments and by structuring related financial liabilities. The Group's foreign exchange risk arises primarily from the sale of goods and services and the purchase of goods and services in a currency other than the functional currency. Risks due to changes in currency exchange rates are insignificant in the operations as the company's long-term liabilities are in its functional currency and accounts payable in other currencies have short payment deadlines.

A 10% appreciation of the euro against the Icelandic króna ISK during the year would have reduced the Group's income by 868 thousand.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet their agreed obligations. Credit risk is primarily due to accounts receivable and other claims.

Credit risk is mostly determined by the age of account receivables, the financial position of particular customers, the current financial climate and future prospects. Behind the Group's accounts receivable there is a large Group of customers, the largest of which are foreign retailers and domestic travel agencies. The Group is not considered to be exposed to significant credit risk. The Group nevertheless makes a general allowance for the estimated impairment of account receivables and other claims. The Blue Lagoon's ten largest customers account for about 44% of the total amount of these accounts receivable. However, there are no specific write-downs for these parties. The company's credit risk is significantly reduced by sending collection claims to customers every ten days.

The company has established credit rules, which seek to minimise risk by considering the financial position, credit rating if applicable, and activities of individual customers, as well as the status of the sectors to which the Company's largest customers belong.

23. Risk management (continued)

Credit risk (continued)

The position of financial assets, other than those with related parties and marketable securities, was as follows at year-end:

	2024	2023
Credit card claims	1.023.325	398.144
Accounts receivable	2.074.939	5.730.773
Other short-term claims	2.828.236	2.512.223
Cash and cash equivalents	17.824.104	14.105.418

The age analysis of account receivables and short-term claims on the settlement date was as follows:

Claims not due	4.590.513	10.549.909
Due claims	312.977	336.287

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Changes in market interest rates affect interest income and interest expense in the income statement. The company's loans have variable interest rates.

Sensitivity analysis of changes in interest rates is performed based on the balance of financial assets and financial liabilities at the end of the year. The sensitivity analysis assumes that the amount of financial liabilities with variable interest rates at year-end remains the same throughout the year. On the basis of a 1% interest rate change and all else being equal, the change in the income and equity amounts to 978 thousand after taxes.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations in the near future as they fall due. This risk is addressed by making plans for payments and ensuring that there is sufficient cash to honour obligations. The Group secures credit lines to meet liquidity fluctuations. The following table shows the Group's liabilities by their maturity dates. The table assumes non-discounted payments and that payments are made on the due date.

Contractual repayments of financial liabilities, including estimated interest payments, are broken down as follows:

31.12.2024	Total Book value	Contractual cash flow	Within 1 year	2-5 years	Later
Long-term liabilities	111.444.568	119.457.433	9.131.114	108.490.110	1.836.209
Short-term liabilities	8.485.372	9.095.470	9.095.470		
Lease liabilities	11.443.377	12.266.155	2.214.650	5.479.203	4.572.302
Accounts payable	16.906.800	16.906.800	16.906.800		
Deferred income	4.941.354	4.941.354	4.941.354		
	153.221.471	162.667.212	42.289.388	113.969.313	6.408.511

31.12.2023	Total Book value	Contractual cash flow	Within 1 year	2-5 years	Later
Long-term liabilities	90.476.806	96.982.088	5.446.058	89.676.635	1.859.395
Short-term liabilities	7.202.073	7.719.902	7.719.902		
Lease liabilities	10.073.572	10.797.862	1.743.935	4.514.737	4.539.190
Accounts payable	11.672.207	11.672.207	11.672.207		
Deferred income	2.493.849	2.493.849	2.493.849		
Income tax due	4.972.483	4.972.483	4.972.483		
	126.890.990	134.638.391	34.048.434	94.191.372	6.398.585

23. Risk management (continued)

Operational Risk:
Operational risk is the risk of direct and indirect loss that may arise from various aspects of the Group's operations. Risk factors include employee performance, business decisions, and external events.

Mitigating this risk includes an appropriate segregation of duties and continuing training and education. All major business decisions are made by the Board after discussion by the company's executive committee. Care is also taken to ensure that an appropriate segregation of duties is in place and data security in IT systems is secured both by having appropriate access controls and by ensuring that backups comply with the quality standards to which the company adheres. The company then prepares operating plans and monthly reports, which are presented to the board, and explains any anomalies.

To mitigate operational risk, the company has taken various measures. The bathing lagoon at Svartsengi is therefore subject to rigorous and strict surveillance. That surveillance applies to the lagoon itself, as well as to the temperature and chemical composition of the lagoon and the safety of guests is strictly monitored.

Blue Lagoon Skincare ehf. is responsible for the production and sale of products made from raw materials from the Blue Lagoon. The company places great emphasis on ensuring that its products are of high quality. Because of this, strict quality control is maintained at all stages of production, ensuring that all products that leave the company are of the highest quality. Through a certified management system (ISO 9001, ISO14001, ISO45001), the operations of Blue Lagoon Skincare ehf. are managed with a risk-based approach and built-in process controls.

The Blue Lagoon's management system is certified according to the following standards: ISO 9001 (quality management), 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 on the most critical aspects of the operation. The Blue Lagoon maintains a register of both the company's main operational risks and commercial risks. The operational risk register provides a comprehensive overview of the main risks that affect the company's operations, while commercial risks cover risks related to processes and underlying procedures in daily operations. The risk registers are based on a 5x5 risk assessment matrix, where consequences and probabilities are assessed for possible scenarios. The greatest risks are subject to defined controls and the company constantly works on re-evaluating them to mitigate the risk.. The risk registers are reviewed annually by the company's executive board. The company's emergency plans are made in accordance with these risk registers and in collaboration with appropriate response parties in the local community.

Fair value
The following table shows a comparison of the fair value and book value of financial liabilities. Information on fair value is not disclosed if it is equal to the book value.

	2024		2023	
	Book value	**Fair value**	**Book value**	Fair value
Long-term liabilities	111.444.568	119.457.433	90.476.806	96.982.088

Determination of fair value
Where applicable, the average interest rate on long-term liabilities is used to discount expected cash flows. The fair value of financial liabilities falls within Level 3 of the fair value hierarchy.

24. Auditor's fee

	2024	2023
Audit fee	126.600	110.782
Fee for other services	105.523	136.537
Total auditor's fee	232.123	247.319

Notes

25. Other business

Seismic Activity

As stated in the Board of Directors' report in the annual accounts, seismic actvity in Reykjanes further affected the company's operations in 2023. Six volcanic eruptions occurred during the year in the vicinity of the Blue Lagoon, lasting a total of 121 days. The company's work facilities in Svartsengi had to be evacuated every time an eruption started, and the closures lasted for varying lengths of time. The company's staff worked tirelessly to keep operations running under completely unprecedented circumstances, as demonstrated by the fact that the Svartsengi spa only had to be closed for a total of 71 days, while the hotels had to be closed for 76 days.

In the last eruption of the year, which began on 20 November 2024, lava engulfed the customer parking lot, which had 350 spaces, but it was located outside the protective barriers. Because of this, it was necessary to build a parking lot inside the protective barriers. Construction of this new parking lot, which will have approximately 450 spaces, will be completed in May 2025. This eruption severely tested the defences around Svartsengi, and they unequivocally proved their worth.

Over the past few years, a great deal of 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. A report from the specialists of the Icelandic Meteorological Office states, among other things, that a tectonic slab which covers Svartsengi was fortified in the turmoil which has taken place there lately, making the likelihood of an eruption there negligible.

Recently, there have been stronger indications than before that this swarm of eruptions is drawing to an end, or has perhaps already ended. In 2024, it became clear that potential volcanic activity could have a major impact on the operations of the Blue Lagoon, but based on the aforementioned indicators, there is hope that this will bring an end to this period of upheaval.

The company's response teams and managers have gained experience in assessing the risks on each occasion and on how best to respond to volcanic eruptions and other seismic activity in the area, in addition to the construction of solid protective barriers around Svartsengi, designed to protect all activities in the area. This experience base is constantly being added to, which has resulted in, among other things, the time it takes to shut down operations at Svartsengi during each eruption being significantly shortened.

The company complies with all recommendations from responders, such as the Civil Protection and Emergency Management and the Police Commissioner of Suðurnes, with the principal aim of ensuring the safety of the employees and visitors of the Blue Lagoon. This is borne out by the fact that all evacuations ran smoothly and the evacuation time in all cases was approximately 40 minutes. All preventive measures have been greatly strengthened, including a detailed risk assessment for the operations in Svartsengi in consultation with the Efla engineering firm. The Blue Lagoon's managers are optimistic that the volcanic unrest will soon subside, since there is already data that indicates that the flow of magma towards the surface has decreased significantly from previous levels. It is therefore hoped that if further closures occur due to volcanic eruptions, they will be shorter than before and will not have a significant impact on the company's operations.

Eldvörp ehf., a 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 ehf. and, on the other hand, a property utilised by Blue Lagoon Skincare ehf. These properties are insured with conventional insurance and the Natural Catastrophe insurance of Iceland is therefore liable for damage incurred as a result of natural disasters. These properties, their fixtures and liquid assets are insured to the amount of 165.5 million.

Patents

a. The company holds the exclusive right from HS Orka hf. until the end of 2044 to utilise the geothermal fluids (Blue Lagoon fluids) at Svartsengi for leisure, therapeutic baths, treatments and also the production of any kind of skin and healthcare products where minerals and organic chemicals in the geothermal fluids are utilised. Payments to HS Orka hf. under the agreement amounted to 521 thousand during the year (2023: 601 thousand).

b. The company holds exclusive rights to use the “Blue Lagoon” and “Bláa Lónið” trademarks in all product categories in Iceland, and the company's logo has also been registered in Iceland and in selected locations abroad. The company has also registered the "Blue Lagoon” trademark in the cosmetics and pharmaceutical categories in all major markets abroad and in some places also in the tourism and healthcare categories.

The company has a patent approved in Europe and the United States for the use of blue-green algae in cosmetics and pharmaceuticals (WO2007129331). The company also holds a corresponding patent in Europe for the use of silica in cosmetics and pharmaceuticals (WO2007129330A1).