



Grieg-Gaarden  
C. Sundtsgate 17/19  
5004 Bergen  
Norway

P.O.Box 234 Sentrum  
5804 Bergen  
Norway

Phone: +47 55 57 66 00  
info@griegseafood.com  
griegseafood.com

**Public memorandum for guidance on  
accounting treatment of issued Hybrid bond**

Date: 27. February 2025  
Ref: Hybrid Bond guidance

**Information and Accounting Guidance on Issued Hybrid Bond**

Grieg Seafood ASA has issued a **subordinated perpetual callable green<sup>1</sup> hybrid bond** (“Hybrid”) with an initial amount of NOK 2,000 million.

This memorandum provides guidance on the accounting treatment of the Hybrid. The objective is to provide information on the financial instrument to all stakeholders and enable consistent accounting treatment across analysts covering our stock.

**1.0 Understanding the Hybrid Bond**

A hybrid bond is a financial instrument that combines elements of both equity and debt. While it carries characteristics of traditional unsecured debt, such as periodic interest payments, it also includes equity-like features, such as the issuer’s discretion to defer interest payments and its perpetual nature. A hybrid is usually kept in the capital structure for a limited time, due to a step-up in margin after a defined number of years.

Due to these features, hybrid bonds can be structured in line with the equity classification<sup>2</sup>, reducing leverage and improving financial ratios.

Despite not commonly issued in the Norwegian capital markets, and hence the risk for misunderstandings, hybrids are widely used in the Nordics and in other European countries.

\*\*\*\*\*  
*The document is intended solely as guidance and may be subject to change. Grieg Seafood ASA does not represent or warrant the accuracy of this information, and users of this document are responsible for conducting their own assessment of the accounting treatment.*  
\*\*\*\*\*

<sup>1</sup> Green financing framework: <https://investor.griegseafood.com/share-&-bond>  
<sup>2</sup> Please refer to IAS32 for the underlying framework for equity classification

## 2.0 Classification as Equity Under International Financial Reporting Standard (IFRS)

Under IFRS, financial instruments are classified based on their substance rather than their legal form<sup>3</sup>. The hybrid we have issued qualifies as **equity** because:

1. **Perpetual Nature:** Except for an asset sale event, there is no contractual obligation to repay the principal.
2. **Issuer's Discretion to Defer Interest:** The company has the right to defer interest payments indefinitely without triggering default.
3. **No Fixed Redemption Obligation:** The company can choose whether to call the bond or not.

Since this hybrid bond does currently not impose a mandatory repayment obligation and allows for interest deferral, it meets the IFRS criteria for classification as equity.

Consequently, it will strengthen our balance sheet by increasing equity rather than increasing debt, thereby improving financial ratios such as debt-to-equity and interest coverage ratio.

Furthermore, we emphasize the following technicalities:

- The hybrid bond will rank before ordinary shares, and there will be restrictions on dividend payments to ordinary shares in some situations<sup>4</sup>, as outlined in attached summarized term sheet.
- It is the company's opinion that the interest payments will be tax deductible under the current Norwegian tax law but may be subject to the general Norwegian interest deduction limitation rule. The company has no intent to defer interest payments.

## 3.0 Impact on Financial Statements

- **Balance Sheet:** The hybrid bond will be recorded under equity instead of liabilities. Hence, any interest payments will be presented as equity transactions, and not as interest expense in the P&L statement
- **Income Statement:** Interest payments will be treated as dividends and recorded as distributions from equity rather than as interest expense. Furthermore, we are highlighting the following:
  - Assuming that the interest payment will be tax deductible, the tax expense in the P&L statement will be reduced when interest on the bond is paid, as required by IAS 12.57A
  - Both paid and deferred interest payments will reduce earnings in the calculation of EPS.

---

<sup>3</sup> IAS32.15, IAS32.AG32-AG14J, IAS32.AG25-AG29A

<sup>4</sup> Mainly if interest under the hybrid is deferred

- **Cash Flow Statement:** Interest payments will be classified as financing cash outflows (like dividends) rather than operating or financing interest expenses.
- **Clarifications on dilution and convertible rights:**
  - The issued hybrid bond does not dilute existing shareholders
  - Terms and conditions do not include any convertible rights

We remain committed to responsible financial management of the company's assets, ensuring that Grieg Seafood ASA generates value for our shareholders.

*Bergen, 27.02.2025*

A handwritten signature in blue ink, appearing to read "Andreas Kvame".

---

Andreas Kvame  
*Chief Executive Officer*

A handwritten signature in black ink, appearing to read "Magnus Johannesen".

---

Magnus Johannesen  
*Chief Financial Officer*

Contact:  
+47 95 91 32 43  
[Magnus.johannesen@griegseafood.com](mailto:Magnus.johannesen@griegseafood.com)