

Extraordinary proportional guarantee conditions for enterprises operating in the accommodation and catering sector, travel agencies and tour operators (extended target group)

Valid from 1 March 2022

The conditions of the service have been established on the basis of the Support of Enterprise and State Loan Guarantees Act and Regulation No. 31 of the Government of the Republic of 28 April 2020 ‘General conditions of aid measures intended to mitigate the crisis related to the spread of the coronavirus causing the COVID-19 disease and the resulting emergency situation’ (hereinafter ‘Regulation No. 31 of the Government of the Republic’).

The purpose of the guarantee is to enable new financing for enterprises operating in the accommodation and catering sector, travel agencies and tour operators to overcome the temporary difficulties caused by the COVID-19 outbreak. The guarantee enables one to secure the obligations of an enterprise arising from loan and leasing contracts. The guarantee in accordance with the conditions of the service is provided by the bank or the lessor on the basis of the authorisation given by the Estonian Business and Innovation Agency (hereinafter ‘Agency’). The bank or the lessor ensures that upon issuing the guarantee or changing the guarantee contract on behalf of the Agency, the applicant’s correspondence to the below terms can be certified with documentary evidence. The bank or lessor shall be obliged to keep the documents proving compliance with the terms and conditions.

State aid is involved in using the service, the provision of which is guided by Section 3.1 of the Communication from the European Commission of 19 March 2020 titled ‘Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak’ (including the subsequent amendments, the most recent of which has been confirmed on 18 November 2021; hereinafter the ‘temporary state aid framework’). The conditions of the service will be implemented after the European Commission has authorised the relevant state aid.

Requirements for the loan applicant	<ul style="list-style-type: none">– The main area of activity of the loan applicant is accommodation (area of activity code I55 in the EMTAK), food service (I56), passenger transport (H491, H493, H50, H51), support activities for transportation (H52), travel agency and tour operator activities (N79), organisation of conventions and trade shows (N823), activities of sanatoriums (Q86905), cultural activities (Q86905, R90) sports activities (R91), or physical well-being activities (R93). The EMTAK code of the main area of activity in the commercial register usually indicates the activity of the loan applicant in the respective field of activity. If the EMTAK code entered in the commercial register differs from the above listed, but the loan applicant is still engaged in a field of activity that is a prerequisite for the implementation of the measure, the loan applicant may also use other evidence to prove this fact. In such a case, the appropriateness and sufficiency of the evidence will be assessed by the Agency. In particular, the evidence provided should show that a substantial part of the loan applicant’s turnover is linked to the relevant activities that are a prerequisite for the implementation of the measure before the application of the activity restrictions due to COVID-19.– The loan applicant has been entered into the commercial register of the Republic of Estonia and the required data has been submitted to the commercial register.
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	<ul style="list-style-type: none"> – The enterprise¹ was not an <i>enterprise in difficulty</i>² as at 31 December 2019 or as at the date of application for the guarantee. – The ratio between the interest-bearing liabilities (as at the date of applying for the guarantee) of the loan applicant and the EBITDA³ is less than 10 together with the loan to be taken, on the basis of the EBITDA in the approved report for the financial year that ended in 2018 or 2019. – As at 12 March 2020, the loan applicant had no overdue debts to credit institutions or tax arrears on national taxes, or these have been paid or deferred as at the date of applying for the guarantee. – As at the date of applying for the guarantee, the loan applicant has performed their obligation to submit tax declarations and annual reports. – The enterprise shall notify the Agency if it has received aid due to the crisis caused by the spread of the coronavirus, which causes the COVID-19 disease, from other measures, from other state budget funds, or from a local authority.
Extent of the Agency's guarantee	<ul style="list-style-type: none"> – 100% of the loan to be guaranteed, but not more than EUR 700,000 per enterprise. With associated enterprises, the limit applies to the group of enterprises as a whole. – Special Conditions are applied to an enterprise in the event that the total sum of the Agency's extraordinary guarantees and/or the Agency's extraordinary loans for the enterprise, together with other financial instruments (guarantees, loans, subscription to and purchase of bonds and convertible bonds, shares) applied as crisis measures pursuant to Section 10 of Regulation No. 31 of the Government of the Republic, is at least EUR 10,000,000 (see Special Conditions at the end of the document). – The extent of the guarantee to lease obligations shall be calculated from the amount without VAT. – Under the terms of service of 'Extraordinary proportional guarantee conditions for new loans', 'Extraordinary proportional guarantee conditions for new small loans', and 'Extraordinary proportional guarantee conditions for new loans for enterprises operating in the accommodation and catering sector, travel agencies and tour operators', the maximum liability of the Agency before the bank and the lessor is limited and does not exceed 80% of the total sum of guarantees issued from 30 March 2020 by the bank and the lessor within the specified services. – The loans guaranteed under the terms of service of 'Extraordinary proportional guarantee conditions for new loans for enterprises operating in the accommodation and catering sector, travel agencies and tour operators' are in total limited to an amount that does not exceed more than double the loan applicant's wage costs in 2019, including social tax. The maximum amount shall be determined on the basis of the wage costs of the loan applicant according to the approved report of the financial year ending in 2019 or the data of the Tax and Customs Board. – The guarantee is one of the aid measures prescribed in Section 3.1 of the Temporary State Aid Framework, the total amount of which per enterprise is

¹ Pursuant to the Commercial Code, an enterprise is a company (a general partnership, limited partnership, private limited company, public limited company or commercial association) or a natural person who offers goods or services for a charge in his or her own name and for whom the sale of goods or provision of services is a permanent activity. The conditions set out for an enterprise in the terms of service are applicable to the loan applicant and the enterprises associated with it on a consolidated level. Upon defining related enterprises, the bank and the lessor are guided by their relevant internal regulations.

² As defined in Article 2 (18) of European Commission Regulation (EU) No. 651/2014 of 17 June 2014 (OJ L 187, 26.6.2014, p. 1). A small or medium-sized enterprise (SME), that has been operating for less than 3 years is not considered to be in difficulty. An enterprise that has been operating for more than 3 years cannot have lost over half of its share capital (nominal value + share premium). If the enterprise is not an SME, the estimated leverage of the enterprise shall be further verified over the last two years. An enterprise shall not be considered to be in difficulty if that indicator has been less than 7.5 for at least one year. In the event that this condition is not met, the EBITDA's ratio to the coverage of interest payments shall be verified over the past two years. An enterprise shall not be considered to be in difficulty if that indicator has been more than 1 for at least one year. An enterprise is in difficulty, in any case, if bankruptcy or liquidation proceedings have been brought against them.

³ Earnings before interest, taxes, depreciation, and amortisation.

	<p>limited to EUR 2,300,000. To adhere to the aforementioned limitation, the Agency enters the state aid granted with the guarantee into the register before making the first disbursement to the loan recipient. The aid provided under Section 3.1, which is repaid prior to 30 June 2022, will not be taken into account in determining the corresponding ceiling.</p> <ul style="list-style-type: none"> – The guarantee amount decreases in proportion to the decrease in the loan or lease amount.
Guaranteed loans and their conditions	<ul style="list-style-type: none"> – A guaranteed loan for the purposes of these terms of service is a loan, loan limit, overdraft, or lease (excluding operational lease). – The Agency provides a guarantee for the new loan. – The intended purpose of the guaranteed loan is to finance any expenses made to overcome the temporary difficulties caused by the COVID-19 outbreak. – Refinancing of loans taken from owners and related parties with the loan guaranteed by the Agency is not permitted. – Refinancing of loans taken from a member of the consolidation group of a bank or lessor with the loan guaranteed by the Agency is not permitted, other than in the case that the contract for the loan to be refinanced is concluded after 12 March 2020 and the loan has a valid Agency’s guarantee. – The grace period on the principal amount of the guaranteed loan may last until 31 December 2022. – Repayment of the loan takes place under an amortisation schedule with the calculation that by the end of the loan period, the loan balance is zero, except for in the case concerning a limit product. – The interest rate of the guaranteed loan cannot be higher than the 6-month EURIBOR + 4% per year (in the given context, the book value of EURIBOR is never lower than 0), and the contract fee cannot exceed EUR 150. – The loan guaranteed by the Agency cannot be subject to an early repayment fee or other additional fees, except for a commitment fee on the unused limit.
Collateral	<ul style="list-style-type: none"> – There is no requirement for collateral if all the following conditions are fulfilled: <ol style="list-style-type: none"> 1. the loan applicant started the business in 2019 at the latest and earned sales revenue on the basis of the approved annual report for the financial year ending in 2019; 2. the share of the loan applicant’s equity among its assets was at least 25% as at 31 December 2019; 3. as at 31 December 2019, the loan applicant’s equity was larger in amount than the loan guaranteed with the Agency’s guarantee. – In other cases, the loan must have collateral, the value of which, accepted by the bank or lessor, is at least 25% of the loan amount. – In the event that collateral is required but the enterprise lacks collateral that meets the requirements, the solidary guarantee of the owners of the loan recipient, who are natural persons and who belong to the circle of owners of the loan recipient either directly or through other companies, shall replace the collateral. Requirement of a personal guarantee may be waived for those natural persons whose ownership in the loan recipient is less than 10%. The limit of liability of guarantors is 25% of the loan guaranteed with the Agency’s guarantee, if none of the infringements listed below have been performed. The maximum extent of liability of guarantors is 100% of the loan guaranteed with the Agency’s guarantee, if the loan recipient commits even one of the following violations: <ol style="list-style-type: none"> 1. they do not use the loan guaranteed by the Agency for its intended purpose, or do not prove its use for the intended purpose at the request of the bank, lessor, or the Agency; 2. they have submitted false information in applying for the loan guaranteed by the Agency;

	<ol style="list-style-type: none"> 3. they have, without prior coordination with the Agency: <ol style="list-style-type: none"> a. paid dividends or made other equity-reducing payments to the owners; b. repaid an owner's loan; c. paid management or other similar fees or fees unrelated to business to owners or third persons related to them (payment of wages in a reasonable amount is permitted); d. purchased or sold goods or services at a price different to the market price to owners or third persons related to them; e. granted a loan;
Validity of the guarantee	<ul style="list-style-type: none"> – The guarantee is valid for up to 72 months. – The guarantee agreement can be concluded and amended under the temporary state aid framework until 30 June 2022. From 1 July 2022, the state aid rules applicable to the modification of the guarantee shall apply.
Fees related to the guarantee contract	<ul style="list-style-type: none"> – There are no additional fees for the loan recipient with the guarantee.

The guarantee shall not be issued for financing the following activities:

- Acquisition of passenger cars.

Disclosure

The loan amount is entered into the register of state aid and de minimis aid as state aid.

Pursuant to Regulation No. 31 of the Government of the Republic, the Agency will disclose the following information concerning the granted guarantee on its website:

1. name of the loan recipient;
2. name of the measure;
3. loan amount;
4. deadline for repayment of the loan.

Special Conditions for the case where the sum of financial instruments implemented by the state for the consolidation group of the enterprise is EUR 10 million or more

1. The loan applicant must prove, submitting the relevant positions of potential financiers, that they are unable to involve additional financial instruments via other sources, or doing so would be unreasonably expensive.
2. In their application, the loan applicant must convincingly show how the respective loan would contribute to their sustainability, by providing a restructuring plan and the corresponding financial forecasts at least by the end of the loan term.
3. The loan applicant shall provide the Agency with an analysis of the socioeconomic impact of the financed project, which proves the important impact of the enterprise or the project on the Estonian economy, economic sector or region, and the possible negative social consequences or market disruptions, should the enterprise fail or the project not be completed. An independent expert with previous experience in socio-economic impact assessment must be involved in drawing up the socio-economic impact assessment. The socio-economic impact assessment must encompass at least the impact assessment identified by the Ministry of Justice and the Government Office with Annex 3 to the 'Impact Assessment Methodology'⁴, the 'Impact Assessment Checklist'.
4. During the period of using the loan or guarantee, the following is forbidden for the loan recipient without the prior consent of the Agency:

⁴ <https://riigikantselei.ee/media/359/download>

- a. withdrawing profits, repurchasing their own shares and all other payments to owners (except the state) from equity;
- b. the premature repayment of the obligation to third parties;
- c. expansion of activities, unless it has been approved by the management body of the recipient of the financial instrument before the declaration of the state of emergency by the Government of the Republic on 12 March 2020;
- d. acquiring or merging with an undertaking or business engaged in the same field of activity;
- e. division or transfer of assets to a significant extent;
- f. payment of management fees to related parties;
- g. making payments to related parties for goods or products and services and the servicing of financial instruments.

The Agency must coordinate the granting of the necessary consent with the Government of the Republic beforehand if the requirement arises from Regulation No. 31 of the Government of the Republic.

The English version of the terms of service has been added as informative material. Should there be any contradiction between the Estonian and English version of the terms of service, the Estonian version shall prevail.