

Extraordinary loan conditions for projects of national importance

Valid from 22 July 2020

The purpose of the extraordinary loan is to enable new turnover and investment loans to undertakings to overcome the temporary difficulties caused by the outbreak of COVID-19.

State aid is involved in using the service, the provision of which is guided by section 3.3 of the 19 March 2020 notification of the European Commission titled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" (hereinafter the temporary state aid framework), and state aid permission SA 56804 that was granted on 30 March 2020.

Conditions for an enterprise	<ul style="list-style-type: none">- The loan applicant has been entered into the commercial register of the Republic of Estonia.- According to the financial projections presented, the enterprise¹ is sustainable and solvent in the long term.- The undertaking was <i>not a company in difficulty</i>² as at 31 December 2019- The loan applicant and the entrepreneurs of the group of enterprises related to the applicant registered in Estonia have submitted the Commercial Register of the Republic of Estonia an approved report and other required data for the financial year ending in 2019.- The loan applicant's approved report for the financial year ended in 2019 does not have any reservations.- The loan applicant has an Estonian IBAN-denominated current account in a credit institution registered in Estonia or operating in Estonia through a branch registered here.- The loan applicant and the group of undertakings related to the applicant do not have overdue debts to credit and financial institutions.- The loan applicant and the group of undertakings related to the applicant have fulfilled the obligation to submit tax returns as at the date of applying for the loan.- The loan applicant and the group of undertakings related to the applicant have no tax arrears on national taxes, or these have been deferred.- The loan applicant, the members of the management and supervisory body of the loan applicant and the owners of the loan applicant have no criminal penalties in force.- The enterprise shall notify KredEx if it has received aid due to the crisis caused by the spread of the coronavirus that causes the COVID-19 disease from another measure on the account of funds from the 2020 supplementary state budget, from other state budget funds, or from a local authority.- The undertaking has an important effect on the Estonian economy, the economic sector or the region, and not applying the financial instrument could very likely bring about negative social consequences or market failures.- The undertaking is unable to involve additional financial funds via other sources or doing so would be unreasonably expensive.- A real estate development project can be treated as a project of national importance on the prerequisite that the project involves the development of at least 10,000 square metres of non-residential premises and is designated as 'in progress' in the construction register as at 12 March 2020.
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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 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.

Intended use of the loan	<ul style="list-style-type: none"> – The intended purpose of the loan is to finance any expenses made to overcome the temporary difficulties caused by the COVID-19 outbreak.
Loan amount	<ul style="list-style-type: none"> – From EUR 10,000,000 per enterprise. With associated enterprises, the limit applies to the group of enterprises as a whole. – Loans guaranteed with extraordinary KredEx guarantees and extraordinary loans granted by KredEx³, which have been granted in accordance with the Temporary State Aid Framework, are in total limited to an amount not exceeding double the wage costs of the enterprise, including social tax, or 25% of the turnover of the enterprise⁴ or the justified 18-month liquidity needs of a small or medium-sized enterprise or the justified 12-month liquidity needs of a large enterprise⁵. The maximum amount of the loan guaranteed with the extraordinary KredEx guarantee and the KredEx extraordinary loan shall be determined on the basis of the wage cost and turnover of the enterprise according to the approved report of the financial year ending in 2019 or the data of the Tax and Customs Board. – A respective decision made by the Government of Estonia is necessary if the total sum of KredEx's extraordinary guarantees and KredEx's extraordinary loans for an enterprise, together with other financial instruments enabled on the account of funds disbursed under the State Supplementary Budget Act 2020 (guarantees, loans, subscription to and purchase of bonds and convertible bonds, shares) for mitigating the effect of the crisis caused by the spread of the coronavirus that causes the COVID-19 disease and the emergency situation originating from this is at least EUR 10,000,000. – In the case of an application presented within the framework of these terms of service, KredEx has the right to ask for a preliminary assessment from the Government of the Republic of Estonia regarding its national importance and the expediency of further proceedings.
Loan period	<ul style="list-style-type: none"> – 6 to 72 months. – The loan contract can be concluded and amended under the framework of temporary state aid until 31 December 2020. As of 01 January 2021, applicable state aid rules shall apply to the modification of the loan agreement. KredEx's decision to grant a guarantee shall be valid for 90 calendar days unless specified otherwise in the decision, but not longer than 28 December 2020.
Grace period	<ul style="list-style-type: none"> – According to the decision of the Government of the Republic
Main obligations of the borrower	<ul style="list-style-type: none"> – Without prior coordination with the Government of the Republic, the recipient of the loan is prohibited from: <ol style="list-style-type: none"> 1. withdrawing profits, repurchasing their own shares and all other payments to owners (except the state) from equity; 2. the premature repayment of the obligation to third parties; 3. expansion of activities, unless it has been approved by the management body of the recipient of the financial instrument before the declaration of a state of emergency by the Government of the Republic on 12 March 2020; 4. payment of management fees to related parties. – Without prior coordination with KredEx, the recipient of the loan is prohibited from: <ol style="list-style-type: none"> 1. acquiring or merging with an undertaking or business engaged in the same field of activity; 2. division or transfer of assets to a significant extent; 3. making payments to related parties for goods or products and services and the servicing of financial instruments. – The borrower undertakes inter alia to: <ol style="list-style-type: none"> 1. submit quarterly activity and financial statements to KredEx;

³ Where an enterprise uses similar services provided by the Rural Development Foundation, the restrictions shall apply jointly.

⁴ A small and medium-sized enterprise is an undertaking with fewer than 250 employees and annual turnover not exceeding EUR 50 million and/or a total balance sheet not exceeding EUR 43 million, pursuant to EU Regulation 651/2014 Annex 1.

⁵ A large enterprise is a company that is not a small or medium-sized enterprise.

	2. coordinate with KredEx, any assumption of additional liabilities, making of investments, and disposal of assets exceeding the limit fixed in the agreement.
Contract fee	– In accordance with the decision of the Government of the Republic, a minimum of 0.1% of the loan amount.
Contract amendment fee	– 0.1% of the loan balance.
Interest rate	– Pursuant to the risk level of the project, but not lower than the minimum rates established in the Temporary State Aid Framework. – The interest rate of the loan is not lower than 1% per year or higher than 6% per year. – In the case of the interest rate of the loan, a step-by-step approach will be implemented, which ensures a lower fee for shorter-term financial instruments in comparison with longer-term ones.
Loan collateral	– The loan must have collateral.
Validity of the loan decision	– The loan decision shall be valid for 90 calendar days unless specified otherwise in the decision, but not longer than 28 December 2020.
Premature termination of the loan agreement	– The borrower shall notify KredEx at least 1 month in advance of its request to prepay the loan.

Application

To submit a loan application, the applicant shall fill in the application form on the KredEx homepage and append the following:

- An analysis of the socioeconomic impact of the 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' ⁶, the 'Impact Assessment Checklist.
- Documentary evidence, that the enterprise cannot involve additional financial funds via other sources or it doing so would be unreasonably expensive.
- Description of the temporary difficulties caused by the outbreak of COVID-19, for which the loan is requested and how to overcome the temporary difficulties with the resulting loan and repaying the loan commitments entered into.
- Business plan in the case of investment.
- Financial forecasts, covering at least the loan term;
- The approved report of the last financial year ended (audited by the entrepreneur subject to audit) and the interim report of the current year, which shall not be more than three months old.
- Extract from the State aid register concerning State aid received by the entrepreneur. The enterprise undertakes to provide additional free-form information on grants that are not reflected in the printout but are received due to the crisis caused by the spread of COVID-19 disease-causing coronavirus at the expense of the state's 2020 additional budget resources, other state budgetary resources or local government units.

The loan shall not be granted for financing the following activities and enterprises

- Primary production of agricultural products, fishery and aquaculture, or forest management.
- Production, processing or marketing of tobacco (or related products).
- Acquisition of passenger cars.

Disclosure

The loan amount is entered into the state aid register as state aid. Pursuant to the Regulation "General conditions of aid measures intended to mitigate the crisis related to the spread of the coronavirus

⁶ https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/mhm_03-12-12.pdf

causing the COVID-19 disease and the resulting emergency situation” of the Government of Estonia, KredEx will disclose the following data on its website regarding the aid:

1. name of the recipient of aid;
2. name of the measure;
3. loan amount;
4. duration of paying support or deadline for return of the financial instrument and main conditions of the financial instrument.

