

Extraordinary proportional guarantee conditions for projects of national importance

Valid from 22 July 2020

The purpose of the guarantee is to enable new financing for projects of national importance 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.

For obtaining a guarantee meeting the terms of service, the bank or lessor submits an application that can be found on the KredEx website. 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 3.2 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 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.

Extent of a KredEx guarantee	<ul style="list-style-type: none"> – From EUR 10,000,000 per enterprise, but no more than 90% of the guaranteed loan. With associated enterprises, the limit applies to the group of enterprises as a whole. – In the case of a real estate development project, a smaller guarantee in the amount of up to EUR 10,000,000 is also possible. – The extent of the guarantee to lease obligations shall be calculated from the amount without VAT. – 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. – The guarantee amount decreases in proportion to the decrease in the loan or lease amount. – 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.
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). – KredEx 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. – The interest rate of the guaranteed loan cannot be higher than the 6-month EURIBOR + 5% per year (in the given context, the book value of EURIBOR is never lower than 0), and the contract fee cannot be higher than 1% of the amount of the guaranteed 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 31 December 2020. With effect from 01.01.2021, the state aid rules applicable to the modification of the guarantee shall apply. 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.
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

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.

	the declaration of a state of emergency by the Government of the Republic on 12 March 2020;
	<p>4. payment of management fees to related parties.</p> <ul style="list-style-type: none"> – Without prior coordination with KredEx, the recipient of the loan is prohibited from: <ul 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.
Contract fee	– In accordance with the decision of the Government of the Republic, a minimum of 0.1% of the guarantee amount.
Contract amendment fee	– 0.1% of the guarantee amount.
Guarantee fee	<ul style="list-style-type: none"> – Pursuant to the risk level of the project, but not lower than the minimum rates established in the Temporary State Aid Framework. – In the case of the guarantee fee, a step-by-step approach will be implemented, which ensures a lower fee for shorter-term financial instruments in comparison with longer-term ones.
Fee for terminating the contract prematurely	– There is no fee for terminating the guarantee prematurely.
Calculation of fees	– In the case of an overdraft and reusable loan limit, the fees are calculated on the portion of the limit secured with a guarantee.

Application

In order to submit a guarantee application, the applicant must complete the application form found on the KredEx homepage, appending the following thereto:

- 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,

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

other state budgetary resources or local government units.

The guarantee shall not be issued 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 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.