

### Extraordinary proportional guarantee conditions for new loans

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 businesses 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 or leasing contracts.

To obtain a guarantee that corresponds to the terms of service, the bank or the lessor submits an application on the Estonian Business and Innovation Agency (hereinafter 'Agency') website or provides a guarantee on the basis of an authorisation granted by the Agency to the bank or the lessor. 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 3.2 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.

Conditions for an enterprise	<ul style="list-style-type: none"><li>– 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.</li><li>– According to the financial projections presented, the enterprise<sup>1</sup> is sustainable and solvent in the long term.</li><li>– The enterprise was not an <i>enterprise in difficulty</i><sup>2</sup> as at 31 December 2019 or as at the date of application for the guarantee.</li><li>– As at 12 March 2020, the enterprise 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.</li><li>– As at the date of applying for the guarantee, the enterprise has performed their obligation to submit tax declarations and annual reports.</li><li>– 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.</li></ul>
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<sup>1</sup> 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.

<sup>2</sup> 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 the Agency's guarantee	<ul style="list-style-type: none"> <li>– Up to 90% of the loan to be secured. In the case of financing a retail or wholesale trade enterprise and in the case of an enterprise operating in the construction sector (Section F of EMTAK), up to 60% of the guaranteed loan.</li> <li>– 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). With associated enterprises, the limit applies to the group of enterprises as a whole.</li> <li>– The extent of the guarantee to lease obligations shall be calculated from the amount without VAT.</li> <li>– 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.</li> <li>– Loans guaranteed with the Agency's extraordinary guarantees and extraordinary loans granted by the Agency<sup>3</sup>, 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 in 2019, including social tax, or 25% of the turnover of the enterprise in 2019. The maximum amount of the loan guaranteed with the Agency's extraordinary guarantee and the Agency's 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.</li> <li>– The guarantee amount decreases in proportion to the decrease in the loan or lease amount.</li> </ul>
Guaranteed loans and their conditions	<ul style="list-style-type: none"> <li>– A guaranteed loan for the purposes of these terms of service is a loan, loan limit, overdraft, or lease (excluding operational lease).</li> <li>– The Agency provides a guarantee for the new loan.</li> <li>– The intended purpose of the guaranteed loan is to finance any expenses made to overcome the temporary difficulties caused by the COVID-19 outbreak.</li> <li>– The interest rate of the guaranteed loan cannot be higher than the 6-month EURIBOR + 6% 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.</li> <li>– Up to 50% of the loan guaranteed by the Agency may be used to service existing loans. Refinancing of loans with a loan guaranteed by the Agency is generally not permitted. Exceptions are only allowed on the basis of any decision by the Agency.</li> <li>– A guarantee for a loan shorter than 3 months is only permitted on the basis of a decision by the Agency on a case-by-case basis.</li> </ul>
Validity of the guarantee	<ul style="list-style-type: none"> <li>– The guarantee is valid for up to 72 months.</li> <li>– 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. The Agency's decision to grant a guarantee shall be valid for 90 calendar days unless specified otherwise in the Agency's decision, but not longer than until 30 June 2022.</li> </ul>

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

Contract fee	<b>The issuance of a guarantee shall be decided/guarantee contract prepared by the bank or the lessor</b>	<b>The issuance of a guarantee shall be decided/guarantee contract prepared by the Agency</b>
	– There is no contract fee.	– 0.2% of the guarantee amount, not less than EUR 30.
Contract amendment fee	– There is no contract amendment fee.	<ul style="list-style-type: none"> <li>– 0.2% of the guarantee amount, not less than EUR 30.</li> <li>– In the case of amendments to technical conditions<sup>4</sup> that do not increase the contract risk, or amendments to terms without economic substance or of low importance, the contract amendment fee shall be calculated as follows: <ul style="list-style-type: none"> <li>○ Guarantee balance/amount up to EUR 50,000: regular contract amendment fee;</li> <li>○ Guarantee balance/amount over EUR 50,000: EUR 100 + 0.002% of the guarantee balance/amount, no more than EUR 500.</li> </ul> </li> </ul>
Fee for terminating the contract prematurely	– There is no fee for terminating the guarantee prematurely.	
Guarantee fee	<b>Small and medium-sized enterprises<sup>5</sup></b>	<b>Large enterprises<sup>6</sup></b>
	<ul style="list-style-type: none"> <li>– For guarantees up to 12 months, 0.25% of the guarantee balance per year.</li> <li>– For guarantees from 12 to 36 months, 0.5% of the guarantee balance per year.</li> <li>– For guarantees longer than 36 months, 1% of the guarantee balance per year.</li> </ul>	<ul style="list-style-type: none"> <li>– For guarantees up to 12 months, 0.5% of the guarantee balance per year.</li> <li>– For guarantees from 12 to 36 months, 1% of the guarantee balance per year.</li> <li>– For guarantees longer than 36 months, 2% of the guarantee balance per year.</li> </ul>
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

The Agency will accept guarantee applications until 31 May 2022.

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

- Primary production of agricultural products, fishery and aquaculture, or forest management.
- Financial and insurance enterprises (Section K of EMTAK).
- Production, processing or marketing of tobacco (or related products).

<sup>4</sup> Technical conditions are those, the amendment of which does not change the content of the condition or the performance of its purpose. The need for the respective change may arise for very different reasons, from a typing error to legal nuances that were not clear or were unable to be specified by the time of making the decision. Amendments without economic substance or of low importance are cases when low-value or valueless collateral is released from the collateral package.

<sup>5</sup> A small or medium-sized enterprise is an enterprise with less than 250 employees and whose annual turnover does not exceed EUR 50 million and/or whose annual balance sheet total does not exceed EUR 43 million, as is specified in Annex I to the 17 June 2014 Commission Regulation (EU) No. 651/2014 (declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation)).

<sup>6</sup> A large enterprise is an enterprise that is not a small or medium-sized enterprise for the purposes of the Block Exemption Regulation.

- Acquisition of transport vehicles or equipment used for road freight transport.
- Acquisition of passenger cars. Acquisition of commercial vehicles and non-road mobile machinery is only permitted on the basis of a decision by the Agency on a case-by-case basis.
- Real estate development and acquisition projects aimed at sale or lease. As an exception, it is permitted to lease out a part of the premises on the condition that the development or acquisition of the real estate has taken place for the purposes of other economic activities of the enterprise or their subsidiaries or related companies, and accrual of rent does not exceed 30% of the annual turnover of the enterprise (the restriction does not apply when leasing to subsidiaries and related companies).
- An enterprise operating in the field of gambling.
- Fields related to pornography, illegal data downloads or the provision of illegal access to data networks.
- Research and development in healthcare aiming to clone humans or develop genetically modified organisms for research or treatment purposes.

## **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'<sup>7</sup>, 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:
  - 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;

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<sup>7</sup> <https://riigikantslei.ee/media/359/download>

- 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.