

APPROVED
with the decision of the Supervisory Board of
13 August 2021
(signed digitally)

Conditions of the extraordinary loan: working capital loan

Valid from 16 August 2021

The conditions of the service have been established on the basis of the Support of Enterprise and State Loan Guarantees Act, the 28 April 2020 Regulation No. 31 of the Government of the Republic – ‘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’, and the 22 April 2020 Regulation No. 10 of the Minister of Foreign Trade and Information Technology – ‘Conditions of granting enterprise loans’.

The purpose of the extraordinary working capital loan is to finance the working capital needed by enterprises 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’ (including the following amendments, the most recent of which has been confirmed on 28 January 2021; hereinafter the temporary state aid framework), and state aid permission SA 56804 that was granted on 30 March 2020, which has been amended with the 9 December 2020 decision SA.58748.

KredEx has the right to refuse to grant a loan if KredEx considers that the application does not meet the conditions for an emergency loan or that the enterprise's solvency is not sufficient to repay the loan.

General requirements for the loan applicant	<ul style="list-style-type: none">– The applicant for the loan is an undertaking which is a natural person or an enterprise (general partnership, limited partnership, private limited enterprise, public limited enterprise or commercial association) entered in the commercial register of the Republic of Estonia. <p>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 (R90, R91) sports activities (R93), physical well-being activities (S9604), or the loan applicant is a provider of tourism services that offers visitors experience service either in nature tourism, culture tourism or as active holiday services, and can be found as a service provider under the respective category in the database of Estonian tourism services, www.pubkaeestis.ee, managed by Enterprise Estonia. 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 KredEx. 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.</p> <ul style="list-style-type: none">– From 12 March 2020, the loan applicant has not paid dividends or made other equity-reducing payments to the owners, or the owner that has received the specified payment returns it to the enterprise by the time of concluding the loan agreement, at the latest, in the amount that the payment was made.– The loan applicant with an audit obligation for the financial year ended in 2019 shall have an approved report without reservations. By way of exception,
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	<p>on the basis of a decision by the Supervisory Board of KredEx, the auditor's decision may be accepted with a reservation, if the reservation arises from a circumstance beyond the control of the loan applicant.</p> <ul style="list-style-type: none"> – According to the Creditinfo report, the loan applicant had no payment defaults of more than EUR 640 in the period from 1 April 2019 to 1 March 2020 and no outstanding tax debts of more than EUR 640 as of the first date of each month. – The loan applicant or its legal representative does not have a valid penalty imposed under sections 209, 210, 260¹, 294, 296, 298–300¹, 372, 373, 379 or 384, 394, 394¹, 402³ or 402⁴ of the Penal Code. – 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. – When applying, the loan applicant shall justify how the COVID-19 outbreak has affected the economic activity of the loan applicant and caused temporary difficulties in excess of which the loan is requested and provide a plan to overcome the temporary difficulties caused by the COVID-19 outbreak with the resulting loan and to repay the loan obligations. – The loan applicant must provide evidence that they cannot involve additional financial funds via other sources or that doing so would be unreasonably costly. – The loan applicant shall notify KredEx 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.
<p>General requirements for the loan applicant and for the group of enterprises related to the loan applicant</p>	<ul style="list-style-type: none"> – The loan applicant and the group of undertakings related to the applicant were not an <i>enterprise in difficulty</i>¹ 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 and the group of enterprises related to the applicant do not have any tax debts or they are deferred and the applicant has fulfilled the obligation to submit tax returns and annual reports at the time of submission of the application.
<p>Requirements for the applicant's financial indicators</p>	<ul style="list-style-type: none"> – The loan applicant started the business in 2018 at the latest and earned sales revenue on the basis of the approved annual report for the financial year ending in 2019. – The percentage of the applicant's equity in the total balance sheet is at least 25%² at the end of the accounting period on the basis of the approved annual report for the financial year ending 2019. – 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 7 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, or less than 10⁴ in the case of a loan applicant operating in the accommodation sector (EMTAK code I55).

¹ 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.

² KredEx may also count the loans granted to the entrepreneur and subordinated to the KredEx loan as equity.

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

⁴ KredEx does not take into account the loan recipient's extraordinary income when calculating the ratios.

Intended use of the loan	<ul style="list-style-type: none"> – The intended purpose of the working capital loan is to finance working capital needed to overcome the temporary difficulties of an undertaking caused by the outbreak of COVID-19. – Refinancing of existing loans is not allowed.
Loan amount	<ul style="list-style-type: none"> – Up to EUR 700,000 per loan applicant and the group of enterprises related to the applicant. – Special Conditions are applied to an enterprise in the event that the total sum of KredEx's extraordinary guarantees and/or KredEx'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). – Loans guaranteed by KredEx's extraordinary guarantees and KredEx's extraordinary loans⁵ granted in accordance with the temporary state aid framework to the loan applicant and the group of enterprises related to the applicant are in total limited to an amount that does not exceed double the taxed wage cost of the applicant and the group of enterprises related to the applicant in the Republic of Estonia plus social tax in 2019, or 25% of the turnover of the loan applicant and the group of enterprises related to the applicant in 2019. The maximum amount of the extraordinary loan of KredEx shall be determined on the basis of the salary cost and turnover 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.
Loan disbursement	<ul style="list-style-type: none"> – On the basis of the loan recipient's application, the loan shall be paid out in one instalment or in instalments until 31 December 2021; the minimum amount of an instalment being EUR 50,000. – The loan is paid out to the current account of the loan recipient, which has the Estonian IBAN identifier and is opened at a credit institution or credit institution registered in Estonia, which operates through a branch registered here in Estonia.
Loan period	<ul style="list-style-type: none"> – Up to 72 months. – The loan is repaid on the basis of a depreciable schedule. At the end of the loan period, the loan balance must be zero. – The loan agreement can be concluded and amended under the temporary state aid framework until 31 December 2021. From 1 January 2022, the state aid rules applicable as at the modification of the loan agreement shall apply.
Grace period	<ul style="list-style-type: none"> – Until 31 December 2022.
Main obligations of the loan recipient	<ul style="list-style-type: none"> – Without prior coordination with KredEx, the recipient of the loan is forbidden to: <ol style="list-style-type: none"> 1. payment of the dividend or other equity-reducing payouts to owners; 2. repay an owner's loan; 3. pay 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); 4. purchase or sell goods or services at a price different to the market price to owners or third persons related to them; 5. granting loans. – The loan recipient undertakes inter alia to: <ol style="list-style-type: none"> 1. submit quarterly activity and financial statements at the request of KredEx;

⁵ Where an enterprise uses similar services provided by the Rural Development Foundation, the restrictions shall apply jointly.

	<p>2. coordinate with KredEx, any assumption of additional liabilities, making of investments, and disposal of assets exceeding the limit fixed in the agreement.</p> <p>– If the loan recipient uses the loan in a way other than for the intended purpose and/or has provided false information when applying for the loan and/or violates the loan agreement, KredEx has the right to claim a contractual penalty of up to five per cent (5%) of the amount of the loan from the loan recipient each time the breach is committed and the right to terminate the loan contract prematurely.</p>
Contract fee	<p>– 0.5% of the loan amount, not less than 150 euros.</p> <p>– The contract fee is paid when the loan agreement is concluded or the first loan share payment is withheld.</p>
Amending the contract	<p>– In the event that the contract for the previously granted extraordinary loan does not meet these terms of service, it is permitted to extend the loan agreement's loan period, grace period, and the deadline for using the loan according to these terms, without changing other conditions.</p>
Contract amendment fee	<p>– 0.2% of the loan balance/amount, not less than EUR 60.</p> <p>– In the case of amendments to technical conditions⁶ that do not increase the risk of the contract, the contract amendment fee is calculated as follows:</p> <ul style="list-style-type: none"> ○ Loan balance/amount up to EUR 50,000: regular contract amendment fee; ○ Loan balance/amount over EUR 50,000: EUR 100 + 0.002% of the loan balance/amount, no more than EUR 500.
Interest rate	<p>– 12-month EURIBOR + 4% per annum.</p> <p>– Interest shall be calculated on the outstanding part of the loan. The due date for the payment of interest shall be fixed in the payment schedule. The 12-month EURIBOR, which is a variable part of the interest, shall be determined by KredEx as of the bank day preceding the conducting of the loan agreement. Thereafter, the payment schedule shall be adjusted once a year in accordance with the change in EURIBOR, on 15 August of each year. If the EURIBOR of 12 months is negative in some periods, the interest variable part shall be calculated as 0 for that period.</p>
Loan collateral	<p>– A loan of up to EUR 150,000 must have collateral with an expected result of realisation⁷ of at least 10% of the loan amount.</p> <p>– A loan of more than 150 000 euros must have collateral with an expected result of realisation of at least 50% of the loan amount.</p>
Validity of the loan decision	<p>– The loan decision is valid for 30 calendar days, but not longer than until 31 December 2021.</p>
Premature termination of the loan agreement	<p>– The loan recipient shall notify KredEx at least 1 month in advance of the wish to make an early repayment of the loan.</p>

⁶ 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.

⁷ For real estate, the expected outcome of the realisation is the market value according to the valuation report (not older than 12 months) minus the mortgage amount for the mortgages above. In the case of a commercial pledge, the estimated result of the realisation shall be calculated as the sum of the following amounts on the basis of the approved report for the financial year ending in 2019: 20% of the post-balance sheet value of tangible fixed assets, 10% of the post-balance sheet value of stocks, 10% of the audited post-balance sheet value of intangible fixed assets on the basis of a decision by the supervisory board of KredEx, 5% of the post-balance sheet value of receivables against buyers, from which the amount of the pledge of the upfront commercial pledge has been deducted. When determining the expected total net gain (loss) from the realisation of equipment, in the case of new equipment their acquisition cost may be taken as the basis, or in the case of used equipment the market value presented in the valuation report (not older than 6 months) of the assessor accepted by KredEx. The expected outcome of the realisation of other guarantees will be assessed on a case-by-case basis.

Application

Loan applications will be accepted until 30 November 2021.

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

- Description of the temporary difficulties caused by the outbreak of COVID-19, for which the loan is requested and the plan for overcoming the temporary difficulties with the resulting loan and repaying the loan commitments entered into.
- The document proving that the loan applicant has received a negative response to the loan application from the bank or other financier, or a positive decision on unreasonable terms.
- Financial projections covering at least three subsequent full years.
- The approved report of the 2019 financial year (audited, in the case of an enterprise subject to audit) and the interim report, 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 transport vehicles or equipment used for road freight transport.
- Acquisition of passenger cars.
- Real estate development projects aimed at sale or lease. If real estate development is for an activity not related to own real estate development, including that of subsidiaries or associated undertakings, a portion of the premises may be leased out provided that rent receipts, except for subsidiaries or associated undertakings, do not exceed 30% of the loan applicant's annual turnover.
- Enterprises 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, KredEx 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

Pursuant to Regulation No. 31 of the Government of the Republic and the contract for allocating funds, concluded for KredEx Measures, the following special conditions shall be applied:

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 KredEx 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'⁸, 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 KredEx:
 - 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.

KredEx must coordinate giving the required consent with the Government of the Republic beforehand.

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.

⁸ <https://riigikantselei.ee/media/359/download>