

Extraordinary proportional guarantee conditions for projects of national importance

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 3.3 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 enterprise¹ has been entered into the commercial register of the Republic of Estonia and the required data have been submitted to the commercial register.– According to the financial projections presented, the enterprise is sustainable and solvent in the long term.– The enterprise was not a company in difficulty² as at 31 December 2019.– As at 12 March 2020, the enterprise has no overdue non-deferred debts to credit institutions or tax arrears on national taxes, or these have been deferred.– The enterprise has no unfiled tax declarations or annual reports by the deadline of applying for the loan.– 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 supplementary budget, from other state budget funds, or from a local authority.– Upon applying, an enterprise has to provide the following:<ol style="list-style-type: none">1. an analysis of the socioeconomic impact of the project which proves the project's important effect on the economy, economic sector or region, and the possible negative consequences, should the project not be completed;2. the enterprise has to prove with documents, the impossibility of obtaining financial resources without the KredEx guarantee.– A real estate development project can be viewed 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 Register of Buildings 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 enterprise and the enterprises related to it. Upon defining related enterprises, the bank and the lessor are guided by their relevant internal regulations.

²As 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 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 enterprise's book debt to equity ratio and the EBITDA to interest coverage ratio of the two previous years will also be checked, the ratios of which cannot exceed 7.5 in the case of the former, and cannot be lower than 1.0 in the case of the latter

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 related enterprises, the limit applies to the group of enterprises as a whole. – 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. – In the case of a real estate development project, up to 50% of the guaranteed loan, and a guarantee amount of less than EUR 10,000,000 per enterprise 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 for 2019, including social tax, according to the company's annual report for 2019 or the Tax and Customs Board. On the basis of each decision of KredEx, the maximum loan amount is exceptionally authorised to the amount of up to 25% of the enterprise's turnover in 2019 or to a justified 18-month liquidity requirement for a small and medium-sized enterprise⁴ or to a justified 12-month liquidity requirement for a large enterprise⁵ if it is less than twice the 2019 wage fund. In making the decision, taxes paid by the enterprise in 2019 and the enterprise's socioeconomic impact will be taken into account. – The guarantee amount decreases in proportion to the decrease in the loan or lease amount. – The total sum of KredEx's extraordinary guarantees and KredEx's extraordinary loans for an enterprise and enterprises connected to it, 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 cannot exceed EUR 10,000,000 without a respective decision made by the Government of Estonia. – For a project presented within these terms of service, KredEx has the right to ask for a preliminary assessment from the Government of Estonia regarding its national importance and the efficacy of going forward with processing it.
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

in at least one year. An enterprise is in difficulty in any case, if bankruptcy or liquidation proceedings have been brought against them.

³ Where an enterprise uses similar services 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.

	<p>of EURIBOR is never lower than 0), and the contract fee cannot be higher than 1% of the amount of the guaranteed loan.</p> <ul style="list-style-type: none"> – KredEx will only guarantee a new loan or leasing transaction. Refinancing of loans and servicing the principals of existing loans with the loan guaranteed by KredEx is not permitted.
Validity of the guarantee	<ul style="list-style-type: none"> – The guarantee is valid for up to 72 months. – The guarantee can be issued and modified within 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.
Contract fee	– 0.4% of the guarantee amount.
Contract amendment fee	– 0.1% of the guarantee balance.
Guarantee fee	<ul style="list-style-type: none"> – Pursuant to the risk level of the project, but not less than the minimum rates established in the temporary state aid framework. – A progressive approach ensuring lower guarantee fees for shorter-term financial instruments compared to longer-term ones must be implemented regarding guarantee fees.
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.

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).

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. amount;
4. duration of paying support or deadline for return of the financial instrument and main conditions of the financial instrument.