



SOŁTYSIŃSKI
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SK&S REPORT

FINANCIAL SHIELD FOR LARGE ENTERPRISES

Liquidity Shield and Preferential Shield

- ✓ General conditions – Financial Shield
- ✓ Liquidity Shield
- ✓ Preferential Shield
- ✓ Application process
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General Conditions - Financial Shield

Enterprises:

- Large enterprise:



that employs more than **249 employees excluding the owner** (the employment in the capital group)

or



the entrepreneur's balance sheet exceeds **EUR 43 million** and the total annual turnover exceeds **EUR 50 million** (on a consolidated basis),* or

- an entrepreneur from the SME sector, whose total annual turnover exceeds **PLN 100 million** and employs more than **150 employees excluding the owner**, if it is not a beneficiary of the Financial Shield for SME, when:



according to financial projections, the SME's funding gap exceeds **PLN 3.5 million**

and



the maximum possibilities for receiving funding from the Financial Shield for SMEs have been exhausted, or the funding is relevant to Sectoral Program with regard to COVID-19

* This definition differs from the definition adopted in state aid law, where a large enterprise is an entrepreneurship that employs 250 or more employees and its balance sheet total exceeds the PLN equivalent of EUR 43 million or the total annual turnover exceeds the PLN equivalent of EUR 50 million; the definition stated above was approved by the European Commission.

Meeting one of the following conditions:

- a decrease in economic turnover (sales revenue), by at least 25% in any month after 1 February 2020 compared to the previous month or the same month of the previous year with regard to the economic disorder caused by COVID-19
- loss of: production, provision of services, receipt of goods, or services by the contracting authorities if components or resources are unavailable due to COVID-19
- the lack of purchase payments exceeds 25% of the amount due because of COVID-19
- lack of access to the capital market or credit limits with regard to new contracts, due to financial market disturbance
- participation in sectoral programs.



General Conditions - Financial Shield

- No opened liquidation, bankruptcy, or restructuring proceedings.
- Conducting business as of 31 December 2019.
- No arrears in the payment of taxes and social security contributions (not applicable to division into instalments or deferment of payments) as of 31 December 2019.
- Positive result of due diligence.



- The company is a tax resident in the European Economic Area registered in KRS or CEIDG.
- The beneficiary does not have tax residence in so-called "tax havens".
- Neither liquidity financing nor preferential financing may be used:
 - ✓ to acquire shares for the purposes of their redemption or for M&A transactions
 - ✓ for payments towards the owner (shareholder) of the Beneficiary or persons related to the owner of the Beneficiary; or refunding or early repayment of a current debt of existing indebtedness of the Beneficiary
 - ✓ other purposes as specified by the PFR in the agreement.
- The PFR may have a contractual right to convert liquidity or preferential financing into equity according to an agreed formula or based on a valuation prepared by a renowned valuer, or to convert it to another debt instrument.
- The PFR may make the funding subject to acceptance by the Beneficiary of additional obligations, in particular, in respect of maintaining a certain level of employment.

1. Liquidity Shield

- The loan is granted up to PLN 1 billion – the amount is estimated on the demand for the entrepreneur's working capital.
- The maximum duration of the financing is 4 years.
- The loan may be used to settle current payments that include, among others: payment of salaries, purchase of goods and materials, settlement of public and legal liabilities, or other purposes related to financing current operations.
- Liquidity financing is provided for the amount corresponding to the liquidity gaps.
- Liquidity financing may be subordinated, but will include a so-called "cash sweep" mechanism, assuming the accelerated repayment of financing if the entrepreneur's financial situation improves.

2. Preferential Shield

- The loan is granted up to a maximum of PLN 750 million.
- Takes the form of a redeemable loan up to 75% of its value to cover the damage suffered by a large enterprise as a result of COVID-19.
- Redemption as non-reimbursable funding is intended to be partial or full coverage of the damage suffered by a large enterprise as a result of COVID-19, and may be granted up to an estimated amount of this damage.
- Meeting at least one of the following conditions:
 - ✓ cessation or limitation of business activities as a result of an administrative decision regarding sanitary restrictions
 - ✓ cessation or limitation of business activities as a result of quarantine
 - ✓ cessation or limitation of business activities as a result of essential deliveries being unavailable
 - ✓ cessation or limitation of the sale of ordered goods and services as regards the impossibility to collect them or non-payment
 - ✓ direct loss suffered as a result of the COVID-19 pandemic that had a crucial impact on financial conditions.
- The maximum repayment term of the preferential loans is 4 years.
- The amount of the redemption cannot exceed 75% of the nominal value of preferential financing.
- The granted preferential financing may be allocated to the company's current operations and restructuring activities.

Application process

- Application is filed via a dedicated application form.
- Filing of the application, approval of declarations and consent documents, and attaching additional information is required to begin an application process.
- The terms and conditions of the Program set out detailed criteria to be met when applying to participate in the Program.
- The PFR reserves that meeting the criteria to participate in the Program does not imply the automatic award of resources.



Granting of aid under the Program depends, among others, on:

- meeting the terms and conditions of participation, and a positive result of a simplified due diligence conducted by the PFR or its counselors
- conformity of financing with the decisions of the European Commission and provisions of state aid law
- establishment of the required guarantees and meeting other terms and conditions, or committing to certain obligations
- signing specific documents of the program
- in particular cases – obtaining the required administrative permissions.

The program allows enterprises to benefit from several methods of financing if the total amount will not exceed the limits stipulated in the rules of cumulation determined by the program's conditions and decisions of the European Commission.

Additional information

Financial viability

should be understood in particular as the ability to satisfy current financial obligations. A determinant may be, for example, generating positive cash flows from operating activities or achieving a positive operating result.

Liquidity gap

the required amount of financial resources in the analyzed period that allows the company to continue its business activity undisturbed.

The end of the crisis

can be considered to be a return to revenue levels comparable to pre-crisis levels (to establish the possibility of repayment of the financing within the assumed schedule).

The scope of due diligence and confirmatory due diligence

will in particular cover key financial and legal issues related to the program Beneficiary.

Aid can be **cumulated with other forms of COVID-19 aid**, in particular those not constituting state aid such as stand-by support.

Liquidity loans relate to both the investment funds and the working capital requirements.

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