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## COVID-19 ANTI-CRISIS SHIELD FINANCIAL AID FOR LARGE ENTREPRENEURS

In relation to the finalisation of the notification procedure for the European Commission, the process of accepting applications for subventions under the governmental scheme – Financial Shield of the Polski Fundusz Rozwoju S.A. (Polish Development Fund – PFR), has already been launched for Large entrepreneurs. The Financial Shield is another form of financial support addressed towards entrepreneurs in order to combat the negative economic effects of the COVID-19 epidemic. The financial shield for large entrepreneurs provides capital, preferential and liquidity financing. Depending on the form, the financing can be provided in a returnable or partially non-returnable form. The intention is to correlate, to the possible extent, the financing provided under the terms of the programme with the actual damage suffered by the entrepreneurs in connection with COVID-19 as well as to promote employment. It is also worth noting, that entrepreneurs may use more than one financing instrument within the Financial Shield.

Below is a brief summary of the main conditions of this scheme.

### 1. Entrepreneurs entitled to aid

- Large entrepreneurs (employing at least 250 employees as at December 31, 2019 or whose annual turnover exceeds EUR 50 million and balance sheet total exceeds EUR 43 million).
- Small and medium-sized entrepreneurs (SMEs) (employing over 150 employees as at December 31, 2019, whose annual turnover exceeds PLN 100.000.000, provided that (i) all of the following conditions have been met: (a) the entrepreneur's financing gap in accordance with the financial projections exceeds the amount of PLN 3,500,000 and (b) it has already exhausted the maximum possibilities of obtaining financing from the Programme for small and medium-sized entrepreneurs, or (ii) the financing relates to the Sectoral Programme in connection with COVID-19).

Should there be affiliations on part of the entrepreneur through the relations with other entities (e.g. within capital groups), it may be necessary to include the data of those affiliated entities in the number of employees, the annual turnover and balance sheet total.

### 2. Type and amount of financial aid

The Financial Shield for Large Companies is composed of the Liquidity Shield, Financial Shield and Capital Shield. Funding under the Programme may be granted in the following forms:

#### A. Liquidity financing:

- takes the form of a liquidity loan;
- is intended to provide entrepreneurs with working capital, in particular for the purpose of settling trade liabilities, salaries, public-law liabilities and other purposes related to the financing of current operations established in the loan agreement;
- is granted up to a maximum amount of PLN 1 billion;

- repayment of the loan must be made within 4 years from the date of signing the loan agreement;
- the interest rate on the liquidity loan is 1% in the case of SMEs in the first year from the date of signing the loan agreement, 1.25% in the second and third year and 1.75% in the fourth year, and in the case of large entrepreneurs 1.25% in the first year from the date of signing the loan agreement, 1.75% in the second and third year and 2.75% in the fourth year. No commissions or fees are charged on the loan agreement.

B. Preferential financing:

- is intended to partially cover the actual damage suffered by a large entrepreneur as a result of COVID-19;
- is granted in the form of a redeemable loan up to a maximum of 75% of its value or 75% of the actual damage suffered as a result of COVID-19;
- the loan is granted in an amount no higher than the estimated damage due to COVID-19 (up to a maximum of PLN 750 million);
- actual damage due to COVID-19 will be calculated for a period no longer than between 1 March 2020 and 31 August 2020, ex post on the basis of actual financial data;
- the maximum repayment period of the preferential loan is 4 years from the date of signing the loan agreement;
- the interest rate of the preferential loan is 1% in the case of SMEs in the first year following the date of signing of the loan agreement, 1.25% in the second and third year and 1.75% in the fourth year and in the case of large entrepreneurs 1.25% in the first year following the date of signing of the loan agreement, 1.75% in the second and third year and 2.75% in the fourth year. No commissions or fees are charged on the loan agreement.

C. Capital financing:

- is intended to enable an entrepreneur to restore a stable financing structure, which has been disturbed, in particular by the need to reduce or stop production or provision of services and by the demand fluctuations resulting from COVID-19, through capital injections;
- may be provided, in particular through the following capital instruments: (i) shares or stocks; (ii) subscription warrants; (iii) bonds or loans convertible into stock, subscribed or purchased by the PFR on market terms or under a State aid regime.

### 3. Conditions for the aid being granted

The entrepreneur needs to meet one of the following conditions:

- has recorded a decrease in economic turnover (sales revenues) of **at least 25%** in any month after February 1, 2020 compared to the previous month or the same month last year, due to the economic disruption caused by COVID-19.
- lost the ability to manufacture or provide services or to receive products or services by the purchasers due to lack of availability of components or resources in connection with COVID-19;
- does not receive payments for sales due to COVID-19 that exceed 25% of the receivables;
- due to financial market disruption, has no access to the capital market or credit limits in respect of new contracts;
- is a participant in the Sector Programmes in connection with COVID-19.

### 4. Additional criteria

The entrepreneur must also meet the following conditions:

- The entrepreneur conducted business activity as at December 31, 2019.
- The entrepreneur (i) has a tax residence within the EEA, (ii) is registered in Poland (in the National Court Register KRS or Central Register of Business Activity and Information CEIDG) and (iii) its majority ultimate beneficial owner does not have a tax residence in the so-called tax havens.

- The entrepreneur was not in arrears in payment of tax liabilities and social security contributions as at December 31, 2019.
- The entrepreneur is not subject to liquidation proceedings, bankruptcy proceedings or restructuring proceedings.
- The entrepreneur does not conduct business activity carried out by financial institutions and rating agencies, development or commercial real estate activities, nor in an area that is questionable for ethical and moral reasons, or that may result in the restriction or violation of individual freedoms and/or human rights.
- The entrepreneur will successfully undergo a due diligence process, including, in particular, the KYC "Shield" procedure, or a confirmatory due diligence conducted by PFR (or its advisors) or in the form of so-called vendors due diligence.

Depending on the type of financing which the entrepreneur applies for, additional criteria may apply, meeting of which shall be necessary in order to be granted the financing.

## 5. Application process

- Financing is granted on the basis of an application for support submitted electronically via the application form available on the PFR website.
- The procedure for examining applications does not provide for the possibility of appealing against the decision of the PFR to grant or refuse funding in this respect with regard to the proposed conditions for granting it.
- Before granting financing, PFR performs the process of verification of an entrepreneur in the form of a simplified due diligence. The due diligence may cover, depending on the specifics of a given case: (i) legal, (ii) financial, (iii) market, (iv) operational and (v) as appropriate, other issues, e.g. tax, regulatory or commercial. As part of the due diligence process, the PFR also verifies the information on the ultimate beneficial owner of the entrepreneur and the risks associated with the entrepreneur.
- The PFR has the right to propose to the entrepreneur to provide financing on the basis of a financial shield instrument other than the one indicated by the entrepreneur in the application and in an amount other than that declared by the entrepreneur. The decision of PFR to grant or refuse financing is based on the principle of reasonable discretion.
- The amount of financing and the conditions for its granting are specified in an agreement concluded between the beneficiary and the PFR. The agreement may specify additional restrictions and obligations.
- The resources allocated to financing under the Financial Shield for Large Entrepreneurs are limited. If there are more applicants than funds, granting of subventions shall generally follow the order in which the PFR will process applications.

FOR MORE INFORMATION PLEASE CONTACT:

Emilia May  
Attorney at law  
T: +48 587 820 050  
E: [may@millercanfield.com](mailto:may@millercanfield.com)

Andrzej Czopski  
Counsellor at law  
T: +48 587 820 050  
E: [czopski@millercanfield.com](mailto:czopski@millercanfield.com)

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