

Financial shield for large businesses finally launched

June 10, 2020

Yesterday, June 9, 2020, the long-awaited PFR Financial Shield for Large Businesses was finally launched. From now on, it is possible to submit formal applications for funding based on updated documentation (including the current program regulations). The key liquidity and preferential financing measures for entrepreneurs have also been approved under the state aid regulations by the European Commission.

Details and practical recommendations on applying for funding will be discussed soon, during our **webinar**, the details of which will be posted separately.

Financing will be granted at interest rates of 1.25%, 1.75% and 2.75% (in the first, second and third and fourth year of financing respectively), inter alia, on the following basic principles:

- **liquidity financing** – granted for a period of up to 4 years to the higher of the following amounts: (i) the entrepreneur's double annual salary costs for 2019 or (ii) 25% of its total turnover in 2019, and in justified cases up to the amount of demand for liquidity for the next 12 months (no later than by 30 June 2021),
- **preferential financing** – granted for up to 4 years up to the amount of loss at the level of EBITDA incurred and estimated in the period between March 1 and August 31, 2020 (compared to the same period before March 1, 2020), but not more than in the higher of the following amounts: (i) the entrepreneur's double annual salary costs for 2019, or (ii) 25% of its total turnover in 2019, with the possibility of canceling the debt by 30 September 2021 up to 75% of its amount, no more however than up to 75% of the actual loss at the EBITDA level incurred between March 1 and August 31, 2020 (unless the epidemic / epidemic threat period is canceled earlier), with loss solely taken into account when (alternatively):
 - the entrepreneur is the addressee or is affected by an administrative decision regarding sanitary restrictions related to COVID-19,
 - the entrepreneur or his employees have been subject to partial or total quarantine as a result of employees suffering from the COVID-19 disease,
 - the entrepreneur has been affected by partial or total limitation of business as a result of the lack of availability of key supplies in connection with the breakdown of supply chains as a result of COVID-19 (in which case the suppliers must meet the conditions specified in (a) or (b) above) or,
 - the entrepreneur has been affected by the loss of income caused by the partial or complete inability to sell ordered products or services due to the inability of customers to collect them as a result of COVID-19 or the lack of payments from customers as a result of COVID-19 (in this case customers must meet the conditions set out in (a) or (b) above).

Compared to previously published plans of the Polish authorities (described in our previous alert - link), the final

financing conditions under the PFR Financial Shield for Large Enterprises are therefore more stringent, including due to the additional reduction in the amount of funding by reference to the cost of the pay / turnover of the applicant for 2019 and, first of all, a limitation in the case of financing a preferential damage calculation period (which is the basis for calculating the amount of financing and the amount of redemption) to the period when the applicant or his contractors are affected by a quarantine or administrative decision imposing sanitary restrictions (and in any case to the period from March 1 to August 31, 2020, or the epidemic / epidemic threat period if shorter).

Entrepreneurs will be able to use liquidity financing and preferential financing to cover running costs (e.g. salaries, trade liabilities, taxes and contributions or other purposes set out in the contract with PFR). In both cases, however, it will be prohibited to use PFR financing to make any distribution to owners or related entities, to purchase shares or stocks for redemption, for mergers and acquisitions, or for servicing interest, coupons, payment of commissions and fees, repayment, refinancing or early repayment of current financial debt.

As part of the PFR Financial Shield for Large Enterprises, capital financing and support under sectoral programs in areas such as digitization, education, medicine, biotechnology and pharmacy, production of personal protective equipment and infrastructure are also provided.

In order to obtain support, it will be necessary to submit an appropriate application to PFR, and then to conclude an appropriate financing agreement and possibly other financial documents such as inter-crediting agreements.

Support will be available to large entrepreneurs already operating on 31 December 2019:

- whose beneficial owner (within the meaning of anti-money laundering regulations) does not have tax residence in a tax haven,
- for which no bankruptcy, liquidation or restructuring proceedings have been opened,
- not currently or at least as at 31 December 2019 with taxes and contributions (this condition is also met in the event of their being divided into installments or deferrals),
- not conducting activities excluded from support, including financial services and activities in the commercial real estate segment and development activities,
- in relation to real estate,
- meeting one of the following conditions:
 - their sales revenues due to the epidemic decreased by at least 25% in any month after February 1, 2020 compared to the previous month or the corresponding month of last year,
 - they cannot produce goods or provide services (or when the ordering parties cannot receive them) due to the lack of availability of components or resources as a result of the epidemic,
 - as a result of the epidemic, they do not receive payments for sales in an amount exceeding 25% of the amount due,
 - due to disruptions in the functioning of the financial market, they do not have access to the capital market or credit limits in connection with new contracts,
 - they participate in these sectoral programs.

In some cases, small and medium enterprises may also benefit from the above forms of support (in particular when their funding gap exceeds PLN 3.5 million).

PLN 25 billion is earmarked for the support of large enterprises under the Financial Shield, of which PLN 10 billion is allocated to the said liquidity financing, and PLN 7.5 billion to the preferential financing. Due to the limited amount of funds available, the time needed for their consideration by PFR and for negotiating and signing the contract, as well as interest in assistance from other companies, we encourage you to contact us urgently to analyze the support that you may receive under the PFR Financial Shield for Large Entrepreneurs and preparation of any application documentation.

Your Key Contacts



Cezary Przygodzki

Partner, Warsaw

D +48 22 242 57 78

cezary.przygodzki@dentons.com



Dr. Michał Bernat

Managing Counsel, Warsaw

D +48 22 242 51 77

michal.bernat@dentons.com