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POLAND'S FINANCIAL SHIELD – COVID-19 FINANCIAL AID FOR MICRO, SMALL AND MEDIUM-SIZED BUSINESSES

Applications for financial assistance are now being accepted under the Polish government sponsored “Financial Shield” of the Polski Fundusz Rozwoju S.A. (“PFR”). The Financial Shield program is available for micro, small and medium-sized businesses. It represents an additional form of financial support for businesses in Poland to offset the negative economic effects of the COVID-19 epidemic. The program provides assistance in the form of subsidies. These subsidies can be largely forgivable, subject to additional conditions to be met by the recipient. Below is a brief summary of the main conditions of this program.

1. Businesses entitled to aid

- Micro, small and medium-sized businesses employing less than 250 employees and with an annual turnover not exceeding EUR 50 million, or a balance sheet net worth not exceeding EUR 43 million.
- The program does not currently apply to larger businesses, as a separate program is expected to be launched for them.

2. Type and amount of financial aid

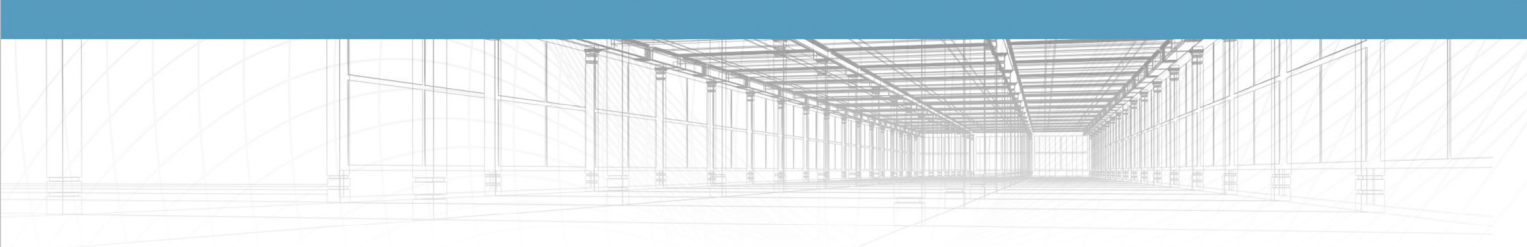
- The amount of financial subsidy that a business may receive under the program is calculated separately for each applicant. In the case of small and medium-sized entrepreneurs (SMEs), it depends directly on the scale of the decrease in the SME's revenues as a result of COVID-19 for any month after February 1, 2020, as compared to the level of revenue earned by the SME in a previous month or as compared to the same month in 2019. For example, if turnover decreases by at least 25%, the amount of the subsidy may be up to 4% of 2019 sales revenue, if turnover decreases by at least 50%, the amount of the subsidy may be 6% of the revenue and if turnover decreases by at least 75%, the amount of subsidy may be up to 8% of revenue.
- The maximum amount of the subsidy to be received by an applicant **may not exceed PLN 3.500.000.**
- The recipient shall be entitled to use the subsidy to cover the costs of its business activity, which is very general. However, the subsidy will not be permitted to be used to pay related entities nor to finance the acquisition of another business.

3. Conditions for the aid

- The business has recorded a decrease in economic turnover (sales revenues) of **at least 25%** in any calendar month after February 1, 2020 compared to the previous month or the same month in 2019, due to the economic disruption caused by COVID-19.
- The business (i) has a tax residency in the EEA, (ii) is registered in Poland (in the National Court Register KRS or the Central Register and Information on Business Activity CEIDG) and (iii) its main beneficial owner does not have a tax residence in any so-called tax haven.

4. Additional criteria

- The business was not in arrears in payment of tax liabilities and social security contributions as at December 31, 2019.

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- The business conducted business activity as of December 31, 2019.
 - The business is not subject to liquidation proceedings, bankruptcy proceedings or restructuring proceedings.
 - The business does not conduct business activity carried out by financial institutions or rating agencies 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.

5. Repayment of the subsidies

- Once the conditions set out in the program are met, up to 75% of the subsidy received may be forgivable.
- The basic condition for forgiveness from the obligation to repay the financial subsidy is that the recipient must continue to carry on business activity at all times for a period of 12 months from the date of being granted the subsidy. The fulfilment of this condition makes it possible to not have to repay 25% of the amount of the received subsidy.
- Another 25% of the amount of the subsidy received is forgiven from repayment if the business maintains a certain employment level. And an additional 25% of the amount can be forgiven from repayment if the business experiences an accumulated cash loss on sales. Generally speaking, the higher the level of maintained employment in the company, and the higher the cash loss, the lower the amount of subsidy will need to be repaid. For example, a recipient who conducted business activity and fully maintained the level of employment for 12 months, and showed cash loss on sales greater than 25% of the value of the subsidy, will be able to keep 75% of the amount of the subsidy as non-refundable. These conditions are examined 12 months after the receipt of the financial aid.
- The amount of the financial subsidy which is to be repaid (at least 25% of the amount of the total subsidy) is to be paid in 24 equal monthly instalments starting from the 13th calendar month after the date of payment of the subsidy, with no interest.

6. Application process

- Funding is granted on the basis of an application for support, submitted through the electronic banking system of banks that cooperate with the PFR in the implementation of the program.
- The amount of the subsidy and its conditions are specified in an agreement concluded between the recipient and the PFR. The agreement may specify additional restrictions and obligations.
- The PFR may grant support in the full amount requested or a lower amount. In the latter case, the decision of the PFR may be appealed. In case of being rejected, the business may reapply.
- The resources allocated to financial subsidies are limited. If there are more applicants than funds, they will be considered by the PFR on a first-come, first-served basis.

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