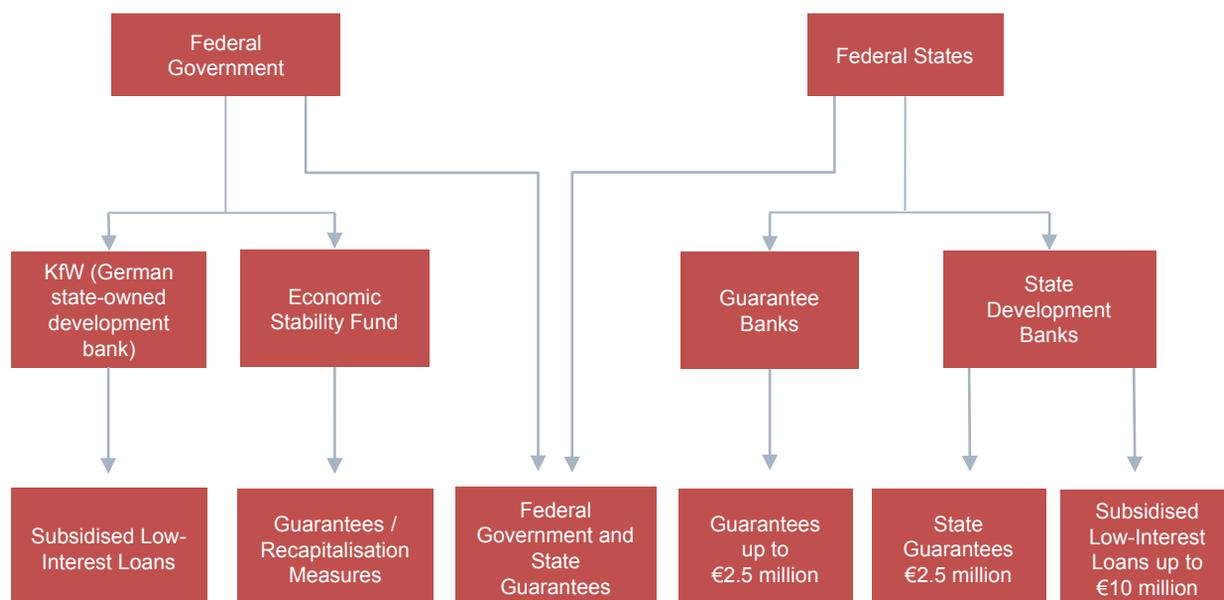


COVID-19 CRISIS (updated 06 May 2020)

FINANCIAL STATE AID IN GERMANY – A BRIEF OVERVIEW

The COVID-19 crisis poses enormous challenges for many companies. Collapse of supply chains, production stops, and slumps in demand combined with a largely constant burden of fixed costs lead to considerable liquidity problems for most companies. In recent weeks, elected officials in Germany, as elsewhere, have announced and swiftly implemented a range of aid packages. Financial assistance is being provided at both the state and federal levels and from various sources of finance. The following summary provides companies with an overview of the major direct state financial aid available in Germany.



Please note:

- The financial state aid programmes approved by the EU Commission to date are not aimed at companies that were in difficulties on 31 December 2019. These companies are defined in particular as companies (i) whose book debt to equity ratio in the last two years has been greater than 7.5 and the EBITDA interest cover ratio has been less than one, (ii) for which more than half of the equity or share capital has disappeared as a result of accumulated losses, or (iii) for which there is reason to file for insolvency or for which insolvency proceedings have already been initiated.
- Within the scope of granting guarantees, the auditing company PricewaterhouseCoopers GmbH acts as a so-called mandatory of the federal government and some of the federal states and handles the business management assessment of the applicant.
- In addition to the “direct” financial aid listed here, there are other “indirect” financial aid measures provided by the federal government and the federal states, such as tax relief, tax deferrals, and the simplified application for short-time allowance.
- The dynamic development of the COVID-19 crisis has led to regular adjustments of state aid programmes, so that inquiries must always be carried out on a daily basis. For this purpose, please see the official database [Förderdatenbank](#) of the Federal Ministry for Economic Affairs and Energy and Latham’s [COVID-19 Resources page](#) for additional insights and analysis.

DIRECT FINANCIAL AID FROM THE GERMAN FEDERAL GOVERNMENT – LOANS

KEY TERMS AND CONDITIONS¹

Financial Aid	Target Group	Terms and Conditions	Contact
<p>“KfW Sonderprogramm 2020”</p> <ul style="list-style-type: none"> • Entrepreneur Loan (037, 047) • ERP Start-up Loan – Universal (075, 076) 	<ul style="list-style-type: none"> • SMEs • Large enterprises • Freelancers / individual enterprises <p>> than five years on the market => <i>Entrepreneur Loan</i></p> <p>< than five years on the market => <i>ERP Start-up Loan – Universal</i></p>	<ul style="list-style-type: none"> • Subsidised low-interest loan per group of enterprises up to a maximum principal of €1 billion • Maximum principal is limited to one of the following: <ul style="list-style-type: none"> ○ 25% of the annual turnover in 2019 ○ Twice the wage bill of 2019 ○ The current financing demand for the next 18 months for SMEs and 12 months for large enterprises ○ 50% of the total debt for loans exceeding €25 million • Indemnities for the on-lending financial intermediaries up to 90% for SMEs and 80% for large enterprises 	Firm's main bank / financing partners who approach the KfW for the specific programme
<p>“KfW Sonderprogramm 2020”</p> <ul style="list-style-type: none"> • Syndicated Financing (855) 	<ul style="list-style-type: none"> • SMEs • Large enterprises 	<ul style="list-style-type: none"> • Participation in syndicated financing for investments and operating materials in a market standard-manner • KfW assumes up to 80% of the risk, but a maximum of 50% of the risks of the overall debt • KfW's risk share amounts to at least €25 million and is limited to one of the following: <ul style="list-style-type: none"> ○ 25% of the annual turnover in 2019 ○ Twice the wage bill of 2019 ○ The current financing demand for the next 12 months • Optionally, all banks participating in the syndicate can be refinanced by KfW 	Banking syndicate who approaches the KfW for the specific programme
<p>KfW Rapid Loan for Medium-sized Enterprises (078)</p>	<p>Enterprises</p> <ul style="list-style-type: none"> ○ With more than 10 employees ○ That have been on the market since at least 1 January 2019 and ○ That made profits at large in 2017-2019 or in 2019 	<ul style="list-style-type: none"> • Subsidised low-interest loan up to a maximum principal of 25% of the annual turnover in 2019 <ul style="list-style-type: none"> ○ (Groups of) enterprises with up to 50 employees receive a maximum of €500,000 ○ (Groups of) enterprises with more than 50 employees receive a maximum of €800,000 • 100% indemnity for the on-lending financial intermediaries; no risk assessment • Provision of collateral not permitted 	Firm's main bank / financing partners who approach the KfW for the specific programme

¹ This is only an overview of the key Special Programmes for 2020 and their central prerequisites; details should always be checked on a daily basis and on a case-by-case basis with the respective institution providing the financial assistance. Other standard financial aid programmes, such as the KfW Loan for Growth (290), may also continue to be eligible under certain circumstances.

DIRECT FINANCIAL AID FROM THE GERMAN FEDERAL GOVERNMENT – GUARANTEES AND DIRECT GRANTS

KEY TERMS AND CONDITIONS²

Financial Aid	Target Group	Terms and Conditions	Contact
Economic Stability Fund – Federal Guarantees and Recapitalisation Measures	<ul style="list-style-type: none"> Companies of the 'real economy' (Realwirtschaft) that meet certain size criteria 	<ul style="list-style-type: none"> Indirect financing through the assumption of guarantees for debt instruments issued and liabilities accrued until 31 December 2021 <ul style="list-style-type: none"> Maximum duration: 60 months Total volume: €400 billion, individual guarantee negotiable in individual cases Direct financing through recapitalisation measures, e.g., through the acquisition of subordinated debt, profit participation certificates, shares in companies at market conditions The discretionary decision of the Federal Ministry of Economic Affairs takes into account, inter alia, the importance of the company for the German economy 	Federal Ministry of Finance and the Federal Ministry of Economic Affairs decide in a joint committee, possibly with the support of KfW, on details by means of a legal directive yet to be adopted
Combined Federal Government and State Guarantees	<ul style="list-style-type: none"> Enterprises 	<ul style="list-style-type: none"> Federal government issues guarantees backed by counter-guarantees from the state if the applying company imposes significant economic impact Guarantees in structurally weak regions are granted for a minimum loan size of €20 million upwards; in other regions from a loan size of €50 million (regarding PwC, the minimum loan size must be €75 million) or more Guarantee ratio amounts up to 90% if a proportional risk distribution between lender and state guarantors is agreed (in the case of a state's first loss guarantee, the guarantee ratio is limited to 35%) 	Firm's main bank and PwC as mandatary
Direct Grants	<ul style="list-style-type: none"> Micro enterprises Freelancers 	<ul style="list-style-type: none"> Up to €9,000 one-off payment for three months for up to five employees (full-time equivalents) Up to €15,000 one-off payment for three months for up to 10 employees (full-time equivalents) 	Respective states and municipalities

² This is only an overview of the key Special Programmes for 2020 and their central prerequisites; details should always be checked on a daily basis and on a case-by-case basis with the respective institution providing the financial assistance. Other standard financial aid programmes, such as the KfW Loan for Growth (290), may also continue to be eligible under certain circumstances.

DIRECT FINANCIAL AID FROM THE FEDERAL STATES – LOANS

ILLUSTRATED BY THE EXAMPLE OF BAVARIA / ESSENTIALLY CORRESPONDS TO THE FINANCING VEHICLES OF OTHER STATES, EXCEPT FOR THE SPECIAL CORONA LOANS³

Financial Aid	Target Group	Terms and Conditions	Contact
Corona Protective Shield Loan⁴	<ul style="list-style-type: none"> • Medium-sized enterprises with annual turnover of less than €500 million • Freelancers 	<ul style="list-style-type: none"> • Loan from €10,000 up to €30 million per project • Maximum principal of loans with maturity beyond 31 December 2020 is limited to one of the following: <ul style="list-style-type: none"> ○ 25% of the annual turnover in 2019 ○ Twice the wage bill of 2019 ○ The current financing demand for the next 18 months for SMEs and 12 months for larger enterprises • Indemnities for the on-lending financial intermediaries up to 90% • Subsidised interest rate between 1% and 1.37% for SMEs and 2% for other borrowers • Purpose: investment and operating material financing 	LfA Förderbank Bavaria
LfA Rapid Loan⁴	Enterprises and freelancers / individual enterprises <ul style="list-style-type: none"> ○ With up to 10 employees ○ That have been on the market since at least 1 October 2019 ○ That made profits at large in 2017-2019 or in 2019 	<ul style="list-style-type: none"> • Subsidised low-interest loan up to a maximum principal of 25% of the annual turnover in 2019 <ul style="list-style-type: none"> ○ Enterprises with up to five employees receive a maximum of €50,000 ○ Enterprises with up to 10 employees receive a maximum of €100,000 ○ Direct grants received must be deducted from the amounts of loans • 100% indemnity for the on-lending financial intermediaries; no risk assessment • Standardised interest rate of 3% • Purpose: investment and operating material financing 	LfA Förderbank Bavaria
Universal Loan	<ul style="list-style-type: none"> • Enterprises with an annual turnover of up to €500 million • Freelancers / individual enterprises 	<ul style="list-style-type: none"> • Maximum principal: up to €10 million • Syndicated financing possible from a size of €5 million with the participation of LfA Förderbank Bavaria • Purpose: investment and operating material financing and rescheduling of short-term debts 	LfA Förderbank Bavaria
Investment Loan	<ul style="list-style-type: none"> • Freelancers with permanent establishment or branch office in Bavaria • Enterprise that represents a self-employed / freelance sustainable full-time activity for at least one shareholder 	<ul style="list-style-type: none"> • Maximum principal: up to €10 million • In case of insufficient collateral, a combination with a state guarantee or indemnity is possible • Purpose: extension, rationalisation, and modernisation of existing plants 	LfA Förderbank Bavaria
Acute Loan	<ul style="list-style-type: none"> • SMEs 	<ul style="list-style-type: none"> • Maximum principal: up to €2 million • Purpose (amongst others): rescheduling of short-term debts and operating materials to maintain solvency 	LfA Förderbank Bavaria

³ This is only an overview of the key Special Programmes for 2020 and their central prerequisites; details should always be checked on a daily basis and on a case-by-case basis with the respective institution providing the financial assistance. Instead of new corona-related loan programmes, some federal states are simply adapting the conditions of their existing programmes to the changed circumstances.

⁴ The conditions of this loan are based on a temporary framework for state aid measures set by the EU Commission on 19 March 2020 and amended on 3 April 2020.

DIRECT FINANCIAL AID FROM THE FEDERAL STATES – GUARANTEES AND DIRECT GRANTS

ILLUSTRATED BY THE EXAMPLE OF BAVARIA / ESSENTIALLY CORRESPONDS TO THE FINANCING VEHICLES OF OTHER STATES⁵

Financial Aid	Target Group	Terms and Conditions	Contact
State Guarantee	<ul style="list-style-type: none"> • Medium-sized enterprises • Freelancers / individual enterprises 	<ul style="list-style-type: none"> • Guarantee up to €30 million • Guarantee ratio of up to 90% • Purpose: investment, working capital, rescue, and restructuring financing 	LfA Förderbank Bavaria
Guarantee of the Guarantee Bank Bavaria	<ul style="list-style-type: none"> • Medium-sized enterprises • Freelancers / individual enterprises <p>That are classified as trade, craft, hotel and gastronomy, or gardening sectors</p>	<ul style="list-style-type: none"> • Guarantee up to €2.5 million • Guarantee ratio of up to 80% • Purpose: investment, working capital, and start-up financing 	Guarantee Bank Bavaria
Direct Grants	<ul style="list-style-type: none"> • Micro enterprises • Solo self-employed • Freelancers 	<ul style="list-style-type: none"> • €9,000 for enterprises/freelancers with up to five employees • €15,000 for enterprises/freelancers with up to 10 employees • €30,000 for enterprises/freelancers with up to 50 employees • €50,000 for enterprises/freelancers with up to 250 employees • Part-time and marginal employees are to be converted to full-time positions accordingly 	Locally responsible enforcement authority (respective administrative district); applications can only be made online

⁵ This is only an overview of the key Special Programmes for 2020 and their central prerequisites; details should always be checked on a daily basis and on a case-by-case basis with the respective institution providing the financial assistance.