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LEGAL CURRENCY

A Client Communication

COVID-19: German Economic Aid Package

We understand that on March 23, 2020, the German Cabinet agreed to an economic aid package totaling more than €750 billion to cushion the effects of the COVID-19 pandemic on the economy (the "Aid Package"). The following memorandum provides an overview of reported measures under the Aid Package.

In summary, the Aid Package includes the following:

- €56 billion in debt to finance social spending and company aid to prevent deeper economic disruption, and a €50 billion liquidity fund for self-employed people, freelancers and small businesses of up to 10 employees; and
- €600 billion rescue fund for companies affected by COVID-19, comprised of the following:
 - €400 billion in guarantees;
 - €100 billion in loans through state-run development bank KfW; and
 - €100 billion earmarked for the government to buy equity stakes in companies.

In addition to the foregoing, the rescue fund could issue an additional €200 billion in additional debt if needed. Furthermore, it was previously announced that the state-run development bank, KfW, has €500 billion available as loans for companies affected by COVID-

19. For companies that have been on the market for longer than 5 years, the following loans are available for application:

- KfW Entrepreneur Loan
 - Assumption of risk (liability waivers) of up to 80% for the on-lending financing partners for working capital loans with a volume of lending of up to €200 million. This granting of liability waiver is also available to large companies with annual turnover of up to €2 billion.
- KfW Loan for Growth
 - Temporary extension to general corporate financing including working capital by way of syndicate financing. Companies that have a sales limit of up to €5 billion are eligible to apply.

The Aid Package has been tabled for approval by the Parliament (Bundestag) later this week. As the announcement of the Aid Package was made very recently, limited information is currently available. Accordingly, we will continue to monitor for updates, and as information becomes available, updates and supplements to this memorandum will be provided.

This communication is intended to provide general information as a service to our clients and should not be construed as legal advice or opinions on specific facts.