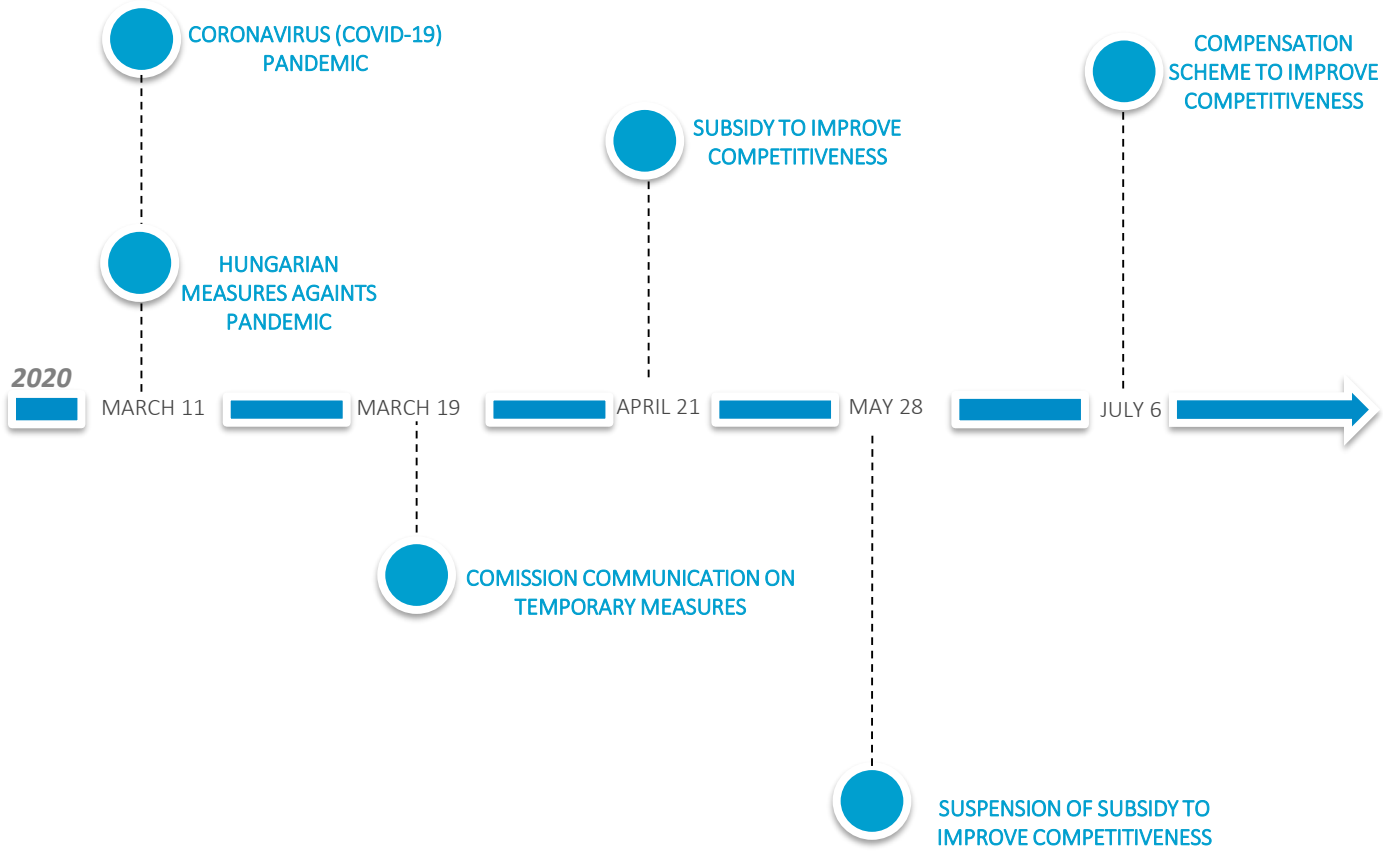


06 July 2020

Introducing new schemes

Subsidy to improve competitiveness and Compensation scheme



Compensation scheme to improve competitiveness

Compensation scheme to improve competitiveness

Overview

Main characteristics of the scheme

- Non-refundable cash grant, in HUF
- 100% advance payment or post-financed payment
- Based on the evaluation of the application, an agreement shall be signed

Aim of the scheme

- To grant compensation to those large enterprises that have suffered losses as a result of the COVID-19 situation and the introduced administrative measures

LEGAL BACKGROUND, APPLICATION

- Donor: Ministry of Foreign Affairs and Trade
- Managing Body: HIPA Non-Profit Ltd.
- Budget: HUF 50 billion (~EUR 140.5 million)



Available throughout Hungary

Compensation scheme to improve competitiveness

Eligible undertakings

Large enterprises

*Based on Annex 1 of 651/2014/EU
Decree*



Manufacturing companies and business service centres

*Except for companies that are excluded
based on their main activities or certain
activities affected by the investment.*



Companies with an investment plan of at least EUR 1,600,000

*In the evaluation process the volume of
the investment shall be taken into
consideration*



Excluded sectors

Based on the activity of the investor:

- Primary agricultural production;
- Fisheries and aquaculture;

*Based on the activity affected by the
investment:*

- Steel sector
- Shipbuilding sector
- Coal sector
- Synthetic fibres sector
- Transport sector
- Energy sector
- Commercial activity
- Activities subject to concession
- Tourism
- Running expenses of export-related activities

Compensation scheme to improve competitiveness

Amount of compensation

MAXIMUM AMOUNT OF FINANCIAL SUPPORT

100% of the incurred losses, but not more than 50% of the investment volume per legal entity.

The Donor makes an individual decision on the amount of the subsidy.

KEY ELEMENTS OF EVALUATION



min. EUR 1,600,000 investment volume

INVESTMENT LOCATION

The level of the economic development of the investment location



Economically preferred sectors

EMPLOYMENT

Base headcount for the 12 months preceding the submission

Gross wages



Relative losses on the basis of EBIT-comparison



INVESTMENT VOLUME


INDUSTRY



RELATIVE LOSSES

Compensation scheme to improve competitiveness

Conditions

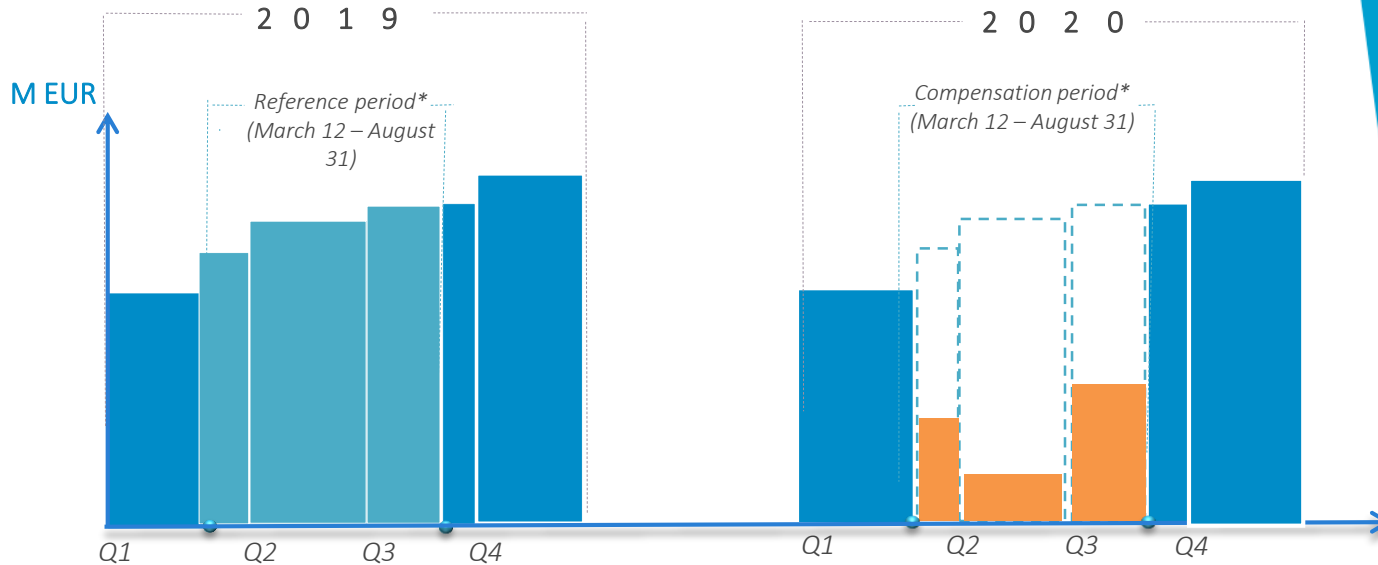
- 
- A vertical timeline consisting of seven blue circles connected by a blue line, positioned to the left of the list items.
- realised or expected losses during the compensation period;
 - decline of at least 25% in sales revenue or orders during the compensation period compared to the reference period;
 - connection between the losses and the administrative measures or recommendations;
 - realization of investment until June 30, 2022 in Hungary (or until September 30, 2021 in case no bank guarantee is provided);
 - maintain the already existing jobs until June 30, 2022 (12 months statistical average before application);
 - the company is not responsible for the difficulties and it took reasonable care to avoid the losses;
 - prior to December 31, 2019, the company did not fall under the category of „undertaking in difficulty“.

Compensation scheme to improve competitiveness

Eligibility – Proof of decline

THE REFERENCE PERIOD is the period in the last closed financial year, which is compared to the compensation period.

THE COMPENSATION PERIOD is the period when the company has at least 25% decline in sales revenue/orders between March 12, 2020 and August 31, 2020 (max. 172 days).



Realised sales revenue / orders

Decline in the sales revenue / orders

≥25%

- Decline in connection with administrative measures
- In respect of sales revenue or company orders

Compensation scheme to improve competitiveness

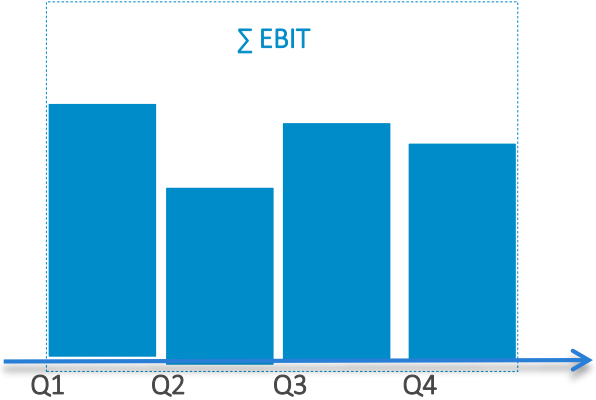
Amount of losses

TOTAL LOSSES: \sum EBIT (reference) - \sum EBIT (compensation period)

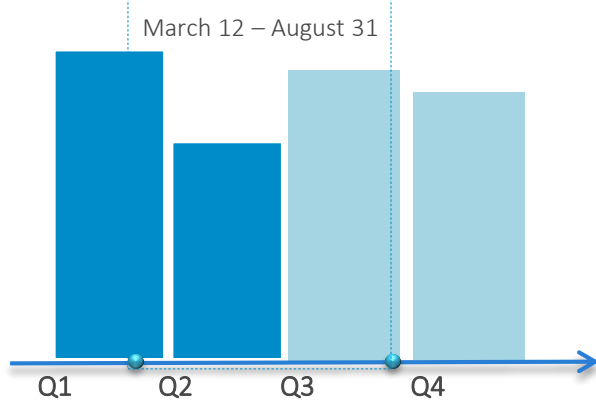
\sum EBIT (reference):

$$\frac{\sum \text{EBIT (2019)}}{365} \times \text{Length of compensation period (days)}$$

Reference year (2019)



Compensation period (2020)

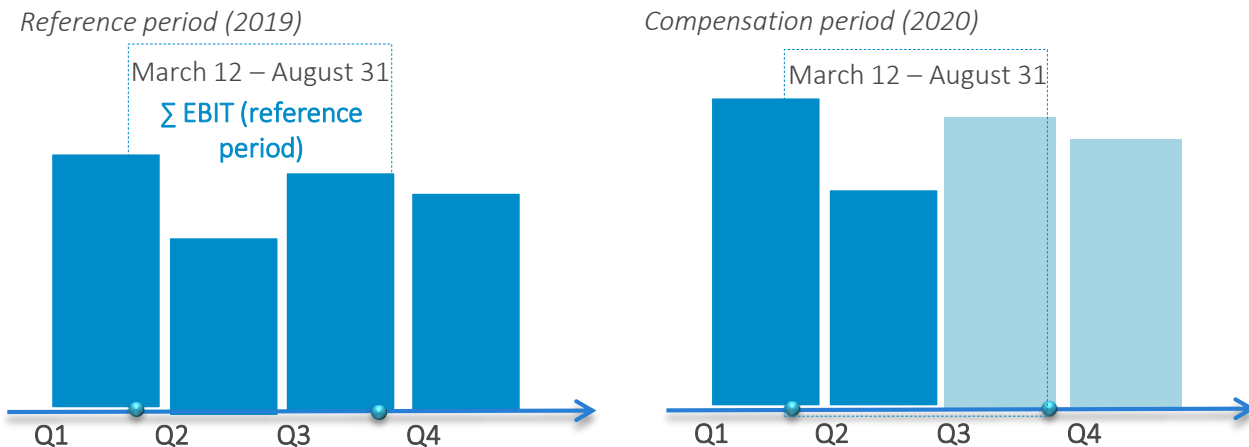


Compensation scheme to improve competitiveness

Amount of compensation in case the company is affected by seasonality

An undertaking is affected by **SEASONALITY** when the daily average revenues for a given period in the last three consecutive business years deviates by more than 25% from the daily average revenues for the entire year.

TOTAL LOSSES: $\sum \text{EBIT (reference period)} - \sum \text{EBIT (compensation period)}$



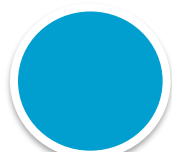
Compensation scheme to improve competitiveness

Procedure I.



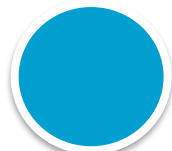
Compensation scheme to improve competitiveness

Procedure II.



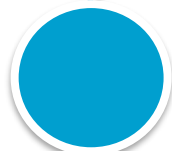
AGREEMENT

- Preparation of agreement by HIPA
- Initial and **signature of the Agreement**



ENTERING INTO FORCE OF THE AGREEMENT

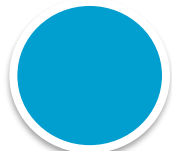
- The company shall submit the collateral that covers 100% of the subsidy
- **Forms of collateral:** (i) **authorization letters to each domestic bank account or** (ii) **bank guarantee and authorization letters to each domestic bank account**



DISBURSEMENT

The subsidy will be granted to the Beneficiary:

- in advance for 100% of the amount of the support** in HUF in case the form of collateral is bank guarantee and authorization letters – in this case the completion of the investment is **June 30, 2022**
- Post-financed in HUF** in case the form of collateral is authorization letter – in this case the completion of the investment is **September 30, 2021**



EX POST EVALUATION – Losses

- Submission of audited P&L issued by independent auditor until **March 31, 2021**



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