

## Corporate Finance/M&A - Austria

### Measures to help with financing of small and medium-sized businesses

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Following the latest financial crisis, the availability of fresh capital on the financial markets has considerably diminished. This is particularly true for small and medium-sized businesses, which are finding it increasingly difficult to borrow money from regular institutions. In order to counter these effects, Parliament has enacted legislation which aims to enhance opportunities for supplying small and medium-sized businesses with fresh capital, both in variety and volume.

#### Legal framework

The most relevant amendment in this regard is the Law for the Animation of the Economic Cycle 2008, in whose implementation the Austria Wirtschaftsservice GmbH (AWS) plays a key role.

The AWS is a limited liability company established by law. It is responsible for the allocation of resources dealing with submissions of businesses seeking financial support. The board directors are assigned by the minister of finance and the minister of economy, as well as other political institutions. The AWS is funded by the Austrian state.

#### Selected initiatives

##### **AWS Medium-Sized Business Fund**

The AWS Medium-Sized Business Fund was established by the AWS to support Austrian medium-sized businesses in their expansion. The fund is intended to facilitate the implementation of new techniques, support business internationalization and further business development and provide funding for corporate acquisitions.

The granting of support is dependent on a series of prerequisites - in particular, a registered seat in Austria, a minimum turnover of €2 million and no more than 500 employees. The fund does not support start-ups, restructurings of distressed companies or listed companies. Projects are funded up to €5 million for a term of five to 10 years, mostly by means of silent partnerships.

##### **AWS Venture Capital Initiative**

The AWS Venture Capital Initiative is designed to support Austrian businesses that are actively involved in the field of research and technology. As opposed to the AWS Medium-Sized Business Fund, the focus of the initiative is on providing capital at the seed and early stages of a business by means of participation in private venture capital funds.

Private venture capital funds that wish to apply must fulfil certain conditions in order to receive funds. Focal points include high standards of transparency and emphasis on investments in Austria.

##### **Guarantee programmes**

The funds of the AWS for assuming guarantees in favour of Austrian companies have also been considerably increased. Further, both investment loans and bridge financing loans may now be secured by the AWS.

The maximum limit for such guarantees is 80% of the amount of the relevant credit facilities, with a maximum amount of €2.5 million. In addition, the assumption of liabilities by the AWS is limited to €15,000 per employee.

##### **European Recovery Programme Small Loan Programme**

The Small Loan Programme of the European Recovery Programme Funds (associated with the AWS) is intended to support businesses that are in need of capital in order to promote innovation and modernization. Moreover, loans are also granted for the purpose of expanding the range of services offered by a business.

The amounts available for European Recovery Programme loans have been increased to €100,000. At the same time, the maximum interest rate has been reduced to 1.5%.

#### Comment

These measures provide significant relief for small and medium-sized businesses from capital shortage. In particular, businesses involved in the technology sector could benefit from these measures.

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