

Will companies benefiting from French-state aid (in the form of French-state guaranteed loans or deferral of tax and social security obligations payment) be allowed to distribute dividends (or proceed with shares buyback) in France during 2020?

On 2 April 2020, the French Government issued a number of guidelines relating to the right for companies benefiting from State-aid to distribute dividends or complete a shares buyback in 2020.

The principle is that Large Companies (*'Grandes Entreprises'*) which benefited from State-aid in the form of French-state guaranteed loans or deferral of tax and social security obligations payment since 27 March 2020 will not be allowed to distribute dividends (in the form of cash or shares) nor interim dividends to their French or foreign shareholders in 2020, save if legally required to and within the limit of such obligation, nor to proceed with any shares buy-back.

The concerned "**Large Companies**" are either an autonomous entity or a group of affiliated entities with a workforce of at least 5,000 employees or a consolidated turnover greater than 1,5 billion euros in France as at the last financial year.

The French state measures were effective as from 27 March 2020: accordingly, any decision to distribute dividends, interim dividends or to buy-back shares effectively taken prior to 27 March 2020 will remain valid and companies having decided any such operation prior to that date will remain eligible to the French State-aid.

Certain shares buy-back transactions will however be possible, *e.g.* for allocation of shares to employees or pursuant to a previous undertaking.

Regarding group of affiliated companies, this rule will apply to all companies within the group, even if only one of the companies benefited from any such State aid. However, intragroup distributions aiming ultimately at financially support a French company (including to comply with its contractual undertakings towards its creditors) will be possible and will therefore not disqualify any such company from being eligible to the State-aid. Therefore, even Large Companies which benefited from State-aid or which has a subsidiary benefiting from any such State-aid will be allowed to distribute intragroup dividends to the French holding company, which will allow the later in turn (among others) to duly comply with its financial obligations payments.

Should any company or group of companies which benefited from State-aid however decide to distribute dividends or complete a shares buy-back after 27 March 2020, then all deferred payments or state-guaranteed loans will become immediately repayable and late payment penalties will apply (5% plus 0,2% per month) starting as from the date of the original due payments of the deferred amounts. Loans guaranteed by the French state will include a specific repayment clause for non-compliance with the abovementioned rule.

For more details, please refer to the Government guidelines available at: <https://www.economie.gouv.fr/files/files/PDF/2020/covid-faq-termes-references-dividendes.pdf>