

ELIGIBILITY CRITERIA

INNOVFIN INNOVATION ELIGIBILITY CRITERIA

- (i) the Final Recipient is an SME or a Small Mid-cap that intends to use the Final Recipient Transaction to invest in producing, developing or implementing new or substantially improved (i) products, processes or services, or (ii) production or delivery methods, or (iii) organisational or process innovation including business models that are innovative (as defined in the paragraphs 15(y) and 15 (bb) of 1.3 Definitions of the Communication from the Commission C(2014) 3282 of 21 May 2014 on the Framework for state aid for research and development and innovation) and where there is a risk of technological, industrial or business failure as evidenced by an evaluation carried out by an external expert;
- (ii) the Final Recipient is a “fast-growing enterprise” which is a Final Recipient operating in a market for less than 12 years following its first commercial sale and with an average annualised endogenous growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period;
- (iii) the Final Recipient has been operating in a market for less than 7 years following its first commercial sale and its R&I Costs represent at least 5% of its total operating costs in at least one of the three years preceding the Final Recipient’s application for the Final Recipient Transaction, or in the case of an enterprise (and particularly a start-up) without any financial history, according to its current financial statements;
- (iv) the Final Recipient is an SME or Small Mid-cap that shall have a significant innovation potential or be an “R&I-intensive enterprise”, by satisfying at least one of the following conditions:
 - (a) the Final Recipient’s R&I annual expenses are equal or exceed 20% of the Final Recipient Transaction amount as per the Final Recipient’s latest statutory financial statements, under the condition that the Final Recipient’s business plan indicates an increase of its R&I expenses at least equal to the Final Recipient Transaction amount;
 - (b) the Final Recipient undertakes to spend an amount at least equal to 80% of the Final Recipient Transaction amount on R&I activities as indicated in its business plan and the remainder on costs necessary to enable such activities;
 - (c) the Final Recipient has been formally awarded grants, loans or guarantees from European R&I support schemes (e.g. Horizon 2020 or FP7) or through their funding instruments (e.g. Joint Technology Initiatives or “Eurostars”) or regional, national research or innovation support schemes over the last thirty-six (36) months, under the condition that the Final Recipient Transaction is not covering the same expense;
 - (d) the Final Recipient has been awarded over the last twenty-four (24) months an R&D prize or Innovation prize provided by an EU institution or an EU body;
 - (e) the Final Recipient has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder’s certificate or software copyright) in the last twenty-four (24) months, and the Final Recipient Transaction purpose is to enable, directly or indirectly, the use of this technology right;

- (a) the Final Recipient is an early stage SME and has received an investment over the last twenty-four (24) months from a venture capital investor or from a business angel being a member of a business angels network; or such venture capital investor or business angel is a shareholder of the Final Recipient at the time of the Final Recipient's application for the Final Recipient Transaction;
- (b) the Final Recipient requires a risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of its average annual turnover in the preceding 5 years;
- (c) the Final Recipient's R&I Costs represent at least 10% of its total operating costs in at least one of the three years preceding the Final Recipient's application for the Final Recipient Transaction, or in the case of an enterprise without any financial history, as per its current financial statements;
- (d) the Final Recipient is a Small Mid-cap and its R&I Costs represent:
 - (A) either, at least 15% of its total operating costs in at least one of the three years preceding the Final Recipient's application for the Final Recipient Transaction;
 - (B) or, at least 10% per year of its total operating costs in the three years preceding the Final Recipient's application for the Final Recipient Transaction;
- (e) The Final Recipient has incurred R&I expenses qualified in the past 36 months by competent national or regional bodies or institutions as part of general support measures approved by the European Commission and designed to incentivize companies to invest in R&I, provided that i) such body or institution is independent of the Financial Intermediary and the Final Recipient and ii) the Final Recipient Transaction covers incremental expenditure as indicated in the Final Recipient's business plan and iii) the Final Recipient Transaction is not covering the same eligible costs already supported by aforementioned measures; or
- (f) The Final Recipient has been designated in the past 36 months as an innovative company by an EU or national or regional institution or body, provided that in each case
 - (A) the designation is based on the publicly available criteria where such criteria:
 - shall not be limited to or otherwise favour any particular industry or sector, and
 - shall reflect at least one of the Innovation Eligibility Criteria except the Innovation Eligibility Criterion referred to in item (iv) (d), or shall reflect the substance of at least one of these criteria but shall not be less stringent; and
 - (B) the body or institution is independent of the Financial Intermediary and the Final Recipient; and
 - (C) the Final Recipient Transaction covers incremental expenditure as indicated in the Final Recipient's business plan.

FINAL RECIPIENT TRANSACTION ELIGIBILITY CRITERIA

- (i) The Financial Recipient (i.e. the Customer) shall be established and operating in Malta;
- (ii) the Final Recipient Transaction (i.e. the Loan facility) shall be newly originated;
- (iii) (the Final Recipient Transaction shall be entered into by the Intermediary by the Inclusion Period End Date;
- (iv) the purpose of the Final Recipient Transaction shall be (1) an investment in tangible or intangible assets, (2) working capital or (3) business transfers;
- (v) the Final Recipient Transaction shall not be in the form of a mezzanine loan or mezzanine bond, a subordinated debt or a quasi-equity transaction;
- (vi) the amount committed by the Intermediary (i.e. the Bank) under the Final Recipient Transaction shall not be lower, other than as a result of a Permitted Final Recipient Transaction Amendment, than the Minimum Final Recipient Transaction Committed Amount;
- (vii) the amount committed by the Intermediary under the Final Recipient Transaction shall not exceed the Maximum Final Recipient Transaction Committed Amount;

- (i) the Final Recipient Transaction shall have a fixed repayment schedule, provided that this clause (ix) shall not affect the Intermediary's right to receive prepayments (either voluntarily or mandatorily) pursuant to the terms of a Mini Bond;
- (ii) the Final Recipient Transaction's maturity shall:
 - (a) not be lower than the Minimum Final Recipient Transaction Maturity, and
 - (b) in respect of any Final Recipient Transaction other than as a result of a Permitted Final Recipient Transaction Amendment, not exceed the Maximum Final Recipient Transaction Maturity, or
- (iii) the customary risk spread applicable to the relevant Final Recipient Transaction included in the Portfolio shall be reduced by the level of the Financial Benefit;
- (iv) the Final Recipient Transaction shall not be affected by an Irregularity or fraud;
- (v) the Final Recipient Transaction shall be denominated in the Base Currency or Additional Currency; and
- (vi) the Additional Eligibility Criteria that are specified as "Final Recipient Transaction Eligibility Criteria" in the Specific Terms, if any.

FINAL RECIPIENT ELIGIBILITY CRITERIA

- (i) the Final Recipient shall not perform R&I activities which are related to:
 - (a) illegal activities according to the applicable legislation in the country of the Intermediary or the Final Recipient (including national, Union and international legislation, including the Charter of Fundamental Rights of the European Union and the European Convention on Human Rights and its Supplementary Protocols); or
 - (b) any R&I Excluded Activities;
- (ii) the Final Recipient shall not, to its knowledge, be in an Exclusion Situation;
- (iii) the Final Recipient shall not be established in a Non-Cooperating Jurisdiction;
- (iv) the Final Recipient shall be an unlisted Final Recipient, without prejudice to the possibility for such companies to be quoted on an alternative trading platform, as defined in Article 4(1)(15) of Directive 2004/39/EC, where the majority of the financial instruments admitted to trading are issued by Final Recipients;
- (v) the Final Recipient shall not be an "undertaking in difficulty" within the meaning of the Block Exemption Regulation;
- (vi) the Final Recipient shall not have a substantial focus on one or more Restricted Sectors (which determination shall be made by the Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant Final Recipient);
- (vii) the Final Recipient shall be established and operating in Malta;
- (viii) where the purpose of a Final Recipient Transaction is a business transfer:
 - (a) the Final Recipient Transaction must be combined with new capital representing at least 50% of the nominal amount of the Final Recipient Transaction; and
 - (b) the Final Recipient shall qualify as a Final Recipient as a result of such transfer and the Final Recipient shall either:
 - (A) comply with at least one of the Innovation Eligibility Criteria; or
 - (B) undertake to use the Final Recipient Transaction for the acquisition of an enterprise, which shall comply with at least one of the Innovation Eligibility Criteria; and
- (ix) the Final Recipient enters into a Final Recipient Transaction (i) on its own behalf or (ii) on behalf of one or more of its partner or linked enterprises in the meaning of the Commission Recommendation, where at least one of such enterprises complies with one or more of the Innovation Eligibility Criteria, provided that the Innovation Eligibility Criteria listed in items (ii), (iv)(a) and (iv)(b) shall be assessed at the group level; and
- (x) the Additional Eligibility Criteria that are specified as "Final Recipient Eligibility Criteria" in the Specific Terms, if any.

TERMS AND CONDITIONS OF THE INNOVFIN SME GUARANTEE

- (i) The SME customer is to cooperate in any evaluation to be conducted by the EC/EIB/EIF in connection with the granting of the loan guaranteed by the InnovFin SMEG;
- (ii) For the purposes of Monitoring and Audit and Maintenance of Records, the SME customer shall permit monitoring visits and inspections by each of the Relevant Parties of its business operations, books and records, including on the spot checks and inspections of its premises during normal business hours.
- (iii) The SME customer undertakes to promptly provide, upon request, any document or information as may be requested by the Bank from time to time and which is necessary to ensure that all the terms and conditions of the InnovFin SME Facility Agreement are being complied with.
- (iv) The SME customer undertakes:
 - (a) not to commit any irregularity or fraud,
 - (b) to comply with eligibility criteria attached to the agreement,
 - (c) to comply with all laws and regulations of the EU to which it may be subject, and the breach of which may adversely impact the performance of the agreement or prejudice the interest of the Bank, the EU, EIB and the EIF,
 - (d) to comply with the relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may be subject.
- (v) Any personal data communicated by the Bank to the EIF, EIB or the Commission relating to the SME financing granted under the Scheme shall be stored for a maximum term of 17 years.



The Banking Arrangement is supported by the InnovFin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments and the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe. The purpose of EFSI is to help support financing and implementing productive investments in the European Union and to ensure increased access to financing.

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