

GENERAL TERMS AND CONDITIONS FOR YOUNG INNOVATIVE COMPANIES**Table of Contents**

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1 Scope of application and publicity of funding decision

Young Innovative Company funding can total a maximum of EUR 1 million. This sum may be increased by a maximum of EUR 250,000 if the activities that funding is allocated to are located in Support Area 1 or 2 as set out in the Government Decree on Support Areas for Regional Development. The funding shall be granted in phases. Granting of a new funding decision shall be subject to achievement of the goals set for the previous phase.

The recipient shall be classified as a small company in terms of size at the commencement of the first funding phase, after which the recipient's size classification may increase to a maximum of medium-sized company during the course of the funding. Small and medium-sized company means an SME as referred to in European Commission recommendation 2003/. Funding can only be granted for activities that are carried out within eight (8) years of the company's registration with the Trade Register.

These terms and conditions shall apply to grants and loans (hereinafter funding) granted by Tekes by virtue of the Act on Discretionary Government Transfers (688/2001), the Act on State Lending and State Guarantees (449/1988), and sections 1 and 3 of the Government Decree on Research, Development and Innovation Funding (298/2008). These terms and conditions have been laid down by virtue of section 11, paragraph 4 of the Discretionary Act on Government Transfers and section 3 of the Act on State Lending and State Guarantees.

With regard to funding, public information shall be the name of the recipient and the amount of funding granted and remitted.

2 Monitoring of project costs

The recipient shall arrange project accounting in a manner that makes it possible to itemise the costs that have arisen from the project and verify their connection to accounting and the cost statement template. Hourly monitoring of working time used in the project shall be arranged in accordance with section 3.2.

3 Eligible costs

3.1 Principles

Eligible costs shall be expenditure arising during the project duration, which is included in the recipient's accounting records, based on net cost and not liable for value-added tax. Costs shall be deemed as VAT-eligible in the event that the recipient is not subject to VAT or the costs arise through VAT-exempt activities and where any VAT is eventually paid by the recipient.

Expenditure allocated to the project relating to an order placed before commencement of the project phase is eligible only when the order can be cancelled if the project does not begin.

All expenditure shall be paid prior to being declared to Tekes. Costs shall be based on the corresponding expenditure payment records. Upon request, the recipient shall provide the information required for monitoring costs, such as copies of receipts, an invoice itemisation and the principles for selecting purchased services.

Tekes may at its discretion pay funding on the basis of actual unpaid costs recorded in the recipient's accounting in conjunction with interim cost statements. Unpaid invoices shall also be included and itemised in the receipt-specific itemisation provided as an appendix to the cost statement. Costs that have been accepted as unpaid in conjunction with the interim cost statement on the basis of the receipt-specific itemisation shall be paid by final accounting at the latest.

When necessary, Tekes or a party authorised by Tekes shall be entitled to audit the reliability of the accounting system or Tekes can require a statement of accounting system reliability from the recipient's authorised external auditor (APA, CA, CPFA).

3.2 Wages and salaries

a) Working time monitoring and verification

The principle for declaring wages and salaries shall be the actual hourly wages and monthly salaries reported by the company and subject to withholding tax. A breakdown of the employee's total working hours shall be presented upon request.

If the recipient simultaneously receives other Tekes funding, this wages and salaries declared for this project shall be based on hourly working time monitoring. The working hours shall be recorded at least once a week and systematically verified at least once a month unless an alternative monitoring arrangement has been approved by Tekes in advance.

The material related to working time monitoring shall be stored for a period of five (5) years after completion of the project.

b) Project wages and salaries

Wages and salaries stated to Tekes may not significantly differ from the levels paid to employees for equivalent work carried out prior to commencement of the project. The salaries shall also be equivalent in value to those paid for other equivalent work carried out for the company during the project period.

The recipient shall notify Tekes if performance-related and/or other exceptional salary components are included in the salaries stated to Tekes.

If the remuneration paid is classified as income from independent services and not as a wage or salary, it must be stated under the Purchased services from SMEs cost item.

3.3 Indirect personnel costs

Indirect personnel costs are defined as social security payments and other employment costs (such as workplace training, fringe benefits, work and protective clothing). A maximum of 30% of actually paid, project-approved costs can be accepted as eligible indirect personnel costs. However, Tekes shall be entitled to verify all indirect personnel costs and pay funding on the basis of actual indirect personnel costs when these remain under the level approved in the cost estimate.

Costs associated with fringe benefits shall be eligible as part of indirect personnel costs within scope of the maximum amount of indirect personnel costs mentioned above.

3.4 Overheads

Overheads shall not be eligible as a separate cost category.

3.5 Travel expenses

Travel expenses included in the project plan are eligible in accordance with the valid Decision of the National Board of Taxes on the compensation of tax-exempt allowances for travel expenses and the instructions of the National Board of Taxes on the compensation for travel expenses.

3.6 Material and supplies costs

Material and supplies costs based on procurement from an external supplier shall be eligible as invoiced and as set out in the project plan. The company's internal material and supplies costs shall be eligible at cost price.

3.7 Machinery and equipment costs

Machinery and equipment costs are eligible as invoiced and as set out in the project plan.

3.8 Machinery and equipment depreciation/rental costs

Depreciations of machinery shall be eligible when they are based on planned depreciations in the bookkeeping, provided that no national or European Union subsidies have been received for purchasing the relevant assets.

The costs of rental equivalent to the cost of fixed assets that have arisen during the duration of the project shall be eligible up to the value of equivalent purchase costs.

3.9 Purchased services

Services purchased externally shall be eligible as invoiced and as set out in the project plan. Services purchased from affiliated companies¹ shall not be eligible costs. An exception to this shall be services purchased from companies that belong to the same group.

Project-related auditing, information acquisition, patent application, licence acquisition and training costs can be included under purchased services

¹ An affiliated company is a company that is not part of the group, for which at least 20% of its entire share capital or comparable own capital is directly or indirectly owned or controlled by the funding recipient or which has some other affiliation.

Purchases from other companies in the same group

General principles

Purchases from other companies in the same group shall be eligible without profit.

The recipient shall ensure that the seller arranges project accounting and working time monitoring and uses the cost statement template to declare its costs in a manner that complies with the provision laid out in these terms and conditions. The seller's cost statement shall include a declaration from the Accountable Project Leader signed by an authorised signatory. The recipient's final report shall include an auditing statement regarding the seller's costs drawn up by an authorised auditor (APA, CA, CPFA).

Purchases from foreign companies in the same group and costs arising in an overseas office

Tekes may also accept as project costs purchases from foreign companies in the same group and costs to the recipient arising in offices located overseas. This shall be specified in the special terms and conditions to the funding decision. Eligible costs shall only include direct project costs, with the exception of indirect personnel costs. Exchange rates on the date of payment shall be applied to invoices submitted in a foreign currency.

A statement of project costs from a local authorised external auditor appointed by the foreign company shall be provided in conjunction with the final statement. The cost statement and the auditor's statement shall, where required, be written in the Finnish or Swedish language or a Finnish or Swedish translation provided.

3.10 Ineligible costs

Ineligible costs are, for example,

- a) expenditure arising from voluntary insurance payments, financing costs, gifts and stipends;
- b) the recipient's funding share for a project implemented in a research organisation funded by Tekes;
- c) costs that include other public funding;
- d) costs that are not essential to achievement of the goals referred to in the funding decision;
- e) other costs not included in the project plan.

4 Other public funding

4.1 Other public funding to the project

No other public funding, including funding from the government, municipality or other public organisation or foundation, may be allocated to project costs. No funding from the European Union shall be permitted either.

4.2 Public funding for other activities

The recipient may only receive other government funding three (3) years after it was granted Young Innovative Company funding for the first time. However, government funding permitted during these three (3) years shall be funding for research, development and innovation granted by Tekes or the European Union and funding granted by the Centres for Economic Development, Transport and the Environment (ELY Centres) for product and production method development when the funding has not been granted under Commission Regulation (EC/1998/2006) on the application of articles 87 and 88 of the Treaty Establishing the European Community to de minimis aid. Also permitted shall be publicly-funded risk capital aid and such public funding that does not include an element of aid.

4.3 Monitoring of regulations concerning public funding

The recipient shall, at least once a year, provide Tekes with a formal statement from an authorised external auditor concerning other public funding received after the funding for Young Innovative Companies was granted. The statements are required for the three (3) years following the granting of funding. The statements shall be provided even if the project ends before three (3) years has elapsed since the funding was granted. The statement template is available on the Tekes website.

Tekes can also approve funding granted by another public funding agency as part of Young Innovative Company funding. Funding from Tekes and another public funding agency may not generally exceed one (1) million Euros.

5 Project reporting to Tekes

Payment of the funding is subject to the provision of project reporting by the deadline set out in the schedule in the funding decision.

The recipient shall provide Tekes with a report signed by the Accountable Project Leader confirming project progress and the costs allocated to the project via the Internet or using templates available on the Tekes website (Reporting template N2 and Cost statement template Y3, Wage /salary specification template Y4, Accountable Project Leader declaration Y5, Receipt-specific itemisation N6).

The cost statement shall indicate the costs for the current accounting period and the cumulative costs from the beginning of the project itemised by cost categories. Actual costs are reported at full value. Costs that receive preliminary acceptance on the basis of the interim report shall be processed again in conjunction with final reporting and accounting. No additional costs are to be presented following approval of the final statement.

The recipient shall submit the annual accounts and auditing statement to the National Board of Patents and Registration in Finland as required by law.

6 Auditor's report

An auditing report from an authorised external auditor (APA, CA, CPFA) covering the entire duration of the project shall be submitted in conjunction with final reporting using a template provided by Tekes. The report template is available on the Tekes website.

The audit is to focus on, in particular, the project accounting and the implementation and reliability of working time monitoring procedures as well as audit trail continuity. With regard to payment of wages and salaries, verification shall be based on the information reported in the total wages and salaries paid for the reporting period section in the Wage / salary specification template (appendix Y4). The auditing report need not address indirect personnel costs, overheads or the net amount of expenditures.

A recipient without a financial history shall also provide a statement from an authorised external auditor for the ongoing first financial year confirming the amount and share of its research and development costs constituted at least 15% of all business costs during the financial year in question.

Tekes shall be entitled to deliver the auditing statement to other authorities for the purposes of supervising funding.

7 Payment of funding

Payments shall be made in accordance with progress made in the project on the basis of acceptable reports and cost statements. Tekes shall deposit the funding into the bank account indicated by the recipient. This notification shall be signed by an authorised signatory for the organisation.

At least 10% of the grant shall be withheld until acceptance of the final report subject to the condition that the project has accumulated a sufficient amount of eligible costs.

The first instalment of a loan may be paid in advance. The final instalment, amounting to 20% of the loan capital granted, shall only be paid after acceptance of the final report provided that the eligible costs for the project enable such payment to be made. If the final statement indicates that the loan amount, including prepayment, exceeds the amount payable on the basis of eligible costs, the recipient shall return the excess funds. Tekes shall be entitled to withhold payment of the full loan amount also in the case of interim reporting if the project costs do not accrue as planned.

The State Treasury shall administer the loan and the related practical payment arrangements. The loan recipient shall comply with the terms and conditions set out in the bond issued by the State Treasury.

The final funding instalment shall be applied from Tekes in conjunction with final reporting and accounting. Funding applied for after this shall not be paid. The loan is to be drawn at the State Treasury a maximum of six (6) months from the date of the payment decision letter issued following the final report and statement.

8 Reporting after completion of the project

Tekes will also evaluate the impact of the projects after their completion. When requested within five (5) years of completion of the project, the recipient shall provide data concerning how all plans and forecasts presented during processing of the application and project implementation have been realised as well as a report on the development of the business that was the objective of the project. Tekes shall also be entitled to audit the recipient's annual accounts and auditing statements that are stored with the National Board of Patents and Registration in Finland for a period of five (5) years following completion of the project, and to commission an analysis of the recipient's annual accounts from another public funding agency.

9 Changes to project implementation

In the event that the project deviates from the plan, the recipient shall apply to Tekes in advance for permission to:

- change the project plan;
- significantly change cost categories;

- change the schedule; additional time shall be requested before the end of the reporting period;
- change a report deadline;
- appoint a new Accountable Project Leader or
- change bank details.

Tekes shall be immediately informed of any other changes in personnel resources or other significant changes that are essential to project implementation.

Changes shall be initiated in writing by sending a change request by e-mail to kirjaamo@tekes.fi or by regular mail to Tekes, Kirjaamo, P.O. Box 69, 00101 Helsinki.

10 Project transfer, sale of business, results transfer and corporate reorganisation

The funding decision may not be transferred to a third party.

If the funding is granted in part or in whole as a loan and the principal and interest have not been repaid in full, the recipient shall obtain written consent from Tekes in advance if it

1. sells, gives as security or otherwise assigns the company business or any part thereof;
2. sells, gives as security or otherwise assigns intellectual property rights or other rights generated in the project or
3. implements other business changes or corporate arrangements (such as merger, division and significant ownership arrangements), which endanger the conditions for repayment of the loan.

If licensing of access rights has been a significant part of the business activity as originally sought in the project, consent from Tekes as set out above is not required.

11 Amendments to lending terms

In the event that achievement of the recipient's business targets is significantly delayed due to barriers to market entry or if the innovative development work that the business is based upon proves to require more time than anticipated, the loan term may be extended to a maximum of twenty (20) years. The grace period may not exceed ten (10) years. The loan may in exceptional conditions and for an extremely pressing cause be converted into a capital loan referred to in section 12 of the Limited Liabilities Act (624/2006) if such conversion is necessary to ensure the recipient's operational requirements and to reinforce the conditions for repayment. The principal and interest of the loan may not be waived.

12 Monitoring by the authorities

The recipient shall provide Tekes with correct and sufficient information for the purpose of overseeing that the terms and conditions of the funding decision are observed and the project implemented in accordance with the funding decision.

Tekes, the European Commission and the European Court of Auditors shall be entitled to audit the finances and operations of a recipient as required by the payment of funding and supervision of its use.

Tekes may grant another authority or an authorised external auditor (APA, CA, CPFA) the authority to carry out the audits referred to in the paragraph above. Outside experts may assist in audits at Tekes' request.

The right to audit shall remain in force for five years from the completion of the project. All project documentation and other material subject to supervision and audit shall be stored for the same minimum period. The recipient shall make available to the auditor, free of charge, any such information and assistance needed for the purpose of the audit.

The auditor shall be entitled to seize the material that is subject to audit if auditing so requires. A record shall be made of the seizure of material during an audit. The record shall state the purpose of seizing the material and indicate what has been seized. Seized material shall be returned without delay when no longer needed for the audit.

The auditor shall be entitled to have access, to the extent warranted by the audit, to the business, storage and other such premises used in the practice of a profession or in business and other areas in the possession or use of the recipient, which may have a bearing on the granting of the funding or supervision of its use. Audits may not be carried out in premises covered by domestic peace.

13 Interruption of payment

Tekes may decide to temporarily interrupt payment of funding if:

1. Grounds exist to suspect that the recipient is neglecting its duty to provide information or uses the funding in breach of the funding decision;

2. The grounds on which the funding was granted have essentially changed; Such changes include deviation from the project plan without written authorisation from Tekes, a significant deterioration in the company's financial position in relation to the forecasted development, a complete loss of the company's own capital, tax debts and payment defaults related to Tekes loans;
3. The interruption of payment is required under European Union legislation.

If the grounds for the interruption are not remedied within the time specified in the decision to interrupt funding, Tekes is entitled to discontinue funding and to claw back funding already paid in whole or in part.

14 Repayment of funding

The recipient shall be obliged to repay without delay any funding or part thereof received through error, in excess or manifestly without cause. Amounts of less than EUR 10 shall not be returned.

15 Claw-back of funding

15.1 Statutory claw-back

Tekes shall issue a decision ordering the discontinuation of the payment of funding and the claw back of funding already paid if the recipient has:

1. Neglected to repay funding or part thereof which under section 14 of these terms and conditions shall be repaid;
2. Used the funding for a purpose essentially different from that for which it was granted;
3. Provided Tekes with false or misleading information in a matter that was critical to the granting of the funding, its amount or terms, or concealed such information;
4. Otherwise essentially violated provisions concerning the use of funding in a manner comparable to paragraphs 1-3.

15.2 Discretionary claw-back

Tekes may order the discontinuation of funding and the claw back of funding or part thereof already paid:

1. False or misleading information has been provided for the purpose of payment or supervision of funding, information has been concealed or the provision of the required information has been refused;
2. The funding has not been used in compliance with the funding decision;
3. The recipient has refused to assist with the project audit;
4. The recipient has terminated the project for which the funding was granted, reduced or altered it substantially or transferred it to another party;
5. The recipient has been subjected to recovery proceedings, placed into liquidation or bankruptcy, or made subject to reorganisation proceedings;
6. The claw-back of funding is required under European Union legislation;
7. The recipient otherwise acts in a manner comparable to the matters in this section.

15.3 Interest

The recipient shall pay an annual interest in accordance with section 3, paragraph 2 of the Interest Act (633/1982) plus three percentage points on the amount to be repaid or clawed back from the date the funding was paid.

15.4 Penalty interest

If the sum clawed back is not repaid by the due date set by Tekes, an annual penalty interest shall be payable on the sum in accordance with the interest rate referred to in section 4, paragraph 1 of the Interest Act (633/1982).

15.5 Moderation of grant claw-back

Tekes may, in cases of repayment or claw-back of grant, decide that a part of the sum to be repaid or clawed back, and any interest or penalty interest on it, will not be clawed back if repayment in full is unreasonable in light of the financial standing and circumstances of the recipient or in relation to the type of property acquired with the grant or in relation to the procedure on which repayment or claw-back is based or because of a change in circumstances.

For an extremely pressing cause, Tekes may decide not to collect the sum to be repaid or clawed back and the interest or penalty interest on it at all.

15.6 Claw-back time limitation

The funding and interest or penalty interest on it shall not be clawed back if ten (10) years have lapsed since payment of the final instalment of funding for the project.

16 Tekes' right of offsetting

A grant and any interest to be repaid or clawed back subject to this funding decision may be collected by deducting it from any other Tekes grant to be paid to the same recipient. The State Treasury shall be entitled to exercise the same right of offsetting in relation to loans granted by Tekes.

17 Misuses

If, in connection with the project, there is reason to suspect that the recipient or a person acting on its behalf has committed a criminal offence under the Penal Code (19.12.1889), with Tekes as the injured party, Tekes shall take action on the matter.

18 Order of application

In the event of a conflict between the funding decision and these appendices, the following order of application shall be applied: In the event of a conflict between the funding decision and its appendices, the following order of application shall be applied:

- | | |
|--|--|
| 1) The funding decision and any special terms and conditions thereof | 4) The project plan |
| 2) These general terms and conditions | 5) The funding application and its appendices |
| 3) The cost estimate | 6) Any other documents relevant to the funding decision. |

DISCLAIMER

This English translation of these general terms and conditions is provided for guidance only. Tekes shall not guarantee the accuracy of the translated text. For interpretation purposes the Finnish-language version shall apply.

APPENDICES

Appendix Y1 Acceptance notification template

Appendix N2 Young Innovative Company reporting template

Appendix Y3 Company funding cost statement template

Appendix Y4 Wage / salary specification

Appendix Y5 Accountable Project Leader declaration

Appendix N6 Receipt-specific itemisation

The "Special terms and conditions for funding" section of the funding decision specifies if other appended terms and conditions shall apply to this project