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ANNEX

SENSITIVE*

ANNEX

to the

COMMISSION RECOMMENDATION

on the definition of innovative enterprises, startups and high-growth scaleups

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ANNEX

DEFINITION OF INNOVATIVE ENTERPRISES, STARTUPS AND HIGH-GROWTH SCALEUPS

1 Introduction

For the purposes of this Recommendation, the following definitions shall apply:

- (a) 'applied research' means original work undertaken with a view to acquiring new knowledge, with the primary aim of achieving a particular practical end or objective.
- (b) 'experimental development' means work based on existing knowledge obtained from research or practical experience, aimed at initiating the manufacture of new materials, products or devices, establishing new processes, systems and services or considerably improving those already in existence. Experimental development may include the realisation of technological demonstrators, that is, devices demonstrating the performance of a new concept or a new technology in a relevant or representative environment.
- (c) 'fundamental research' means experimental or theoretical carried out primarily to acquire new knowledge regarding the underlying foundation of phenomena and observable facts, without any particular application or use in view.
- (d) 'operating costs' means the costs incurred by the company in the course of its normal business operations, comprising all costs necessary for the production of goods and the provision of services during the accounting period, but excluding financing and tax items.
- (e) 'research and development'¹ means any work falling under the category of fundamental research, applied research or experimental development, but excludes the making or qualification of pre-production prototypes, tools and industrial engineering, industrial design or manufacture.
- (f) 'enterprise' means any entity engaged in an economic activity, irrespective of its legal form. This includes partnerships or associations regularly engaged in an economic activity. When reference are made to enterprise categories, the definitions and calculations applicable to staff headcount, financial ceilings and specifications related to type of enterprises are those set out in Commission Recommendation 2003/361/EC and Commission Recommendation (EU) 2025/1099.

2 Innovative enterprise

- 2.1 An 'innovative enterprise' means an enterprise which fulfils at least one of the following conditions:

¹ Source: OECD Frascati Manual 2015 on Guidelines for Collecting and Reporting Data on Research and Experimental Development).

- (a) in at least one of the three preceding years, it has incurred research and development costs representing either at least 10% of its total operating costs or at least 5% of its total net sales, evidenced either in its audited financial statements [or, in the case of an enterprise without any financial history, in the audit of its current financial period, as certified by an external auditor]²;
- (b) in at least one of the preceding three years, it has received financing from a venture capital fund within the meaning of Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds; or
- (c) having the objective of commercialisation, in the last three years it has developed, is developing or will, in the foreseeable future, develop products, services or business processes, which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure.

2.2 For the purposes of determining the amount of research and development costs referred to in point 2.1(a), the eligible research and development costs shall be the following:

- (a) personnel costs, including the costs of researchers, technicians and other supporting staff to the extent employed on the project;
- (b) costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible;
- (c) costs for of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible;
- (d) costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- (e) additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

3 Startup

3.1 A 'startup' means an enterprise which fulfils each of the following conditions:

- (a) it is an innovative enterprise within the meaning of point 2 of this Annex;
- (b) it is an enterprise which employs fewer than 100 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million;

² R&D costs as defined under EU State aid law (Article 25(3) of Commission Regulation (EU) No 651/2014 (GBER)).

- (c) it is an autonomous enterprise within the meaning of the Commission Recommendation (EU) 2025/1099³; and
- (d) it has been operating for less than 10 years following its registration.

4 High-growth scaleup

4.1 A 'high-growth scaleup' means an enterprise which fulfils each of the following conditions:

- (a) it is an innovative enterprise within the meaning of point 2 of this Annex;
- (b) it is an enterprise whose annual turnover and/or balance sheet total exceeds EUR 10 million; and
- (c) it shall demonstrate growth, evidenced by fulfilling at least one of the following conditions over the two preceding years:
 - (1) it has an average annualised increase in the number of employees or in revenue exceeding 20%; or
 - (2) it is not publicly listed and has received financing amounting to at least EUR 3 million from one or more venture capital funds within the meaning of Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds

³ COMMISSION RECOMMENDATION (EU) 2025/1099 of 21 May 2025 on the definition of small mid-cap enterprises