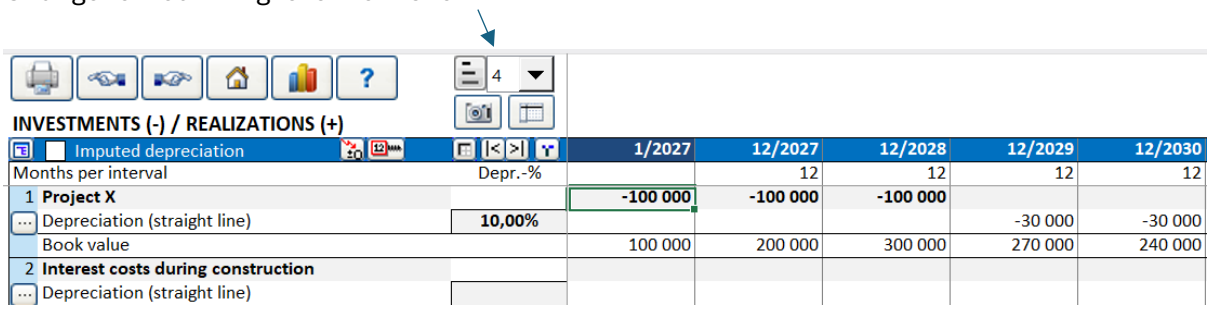
Instructions on how to implement capitalization and activation of construction period financing costs in Invest for Excel Enterprise

1. Investments

A) Name one row for the construction period financing.
B) Define same depreciation method as for the main investment.
C) Do NOT enter any interest costs. They will be calculated and updated automatically.
D) Change row outlining level from 3 to 4

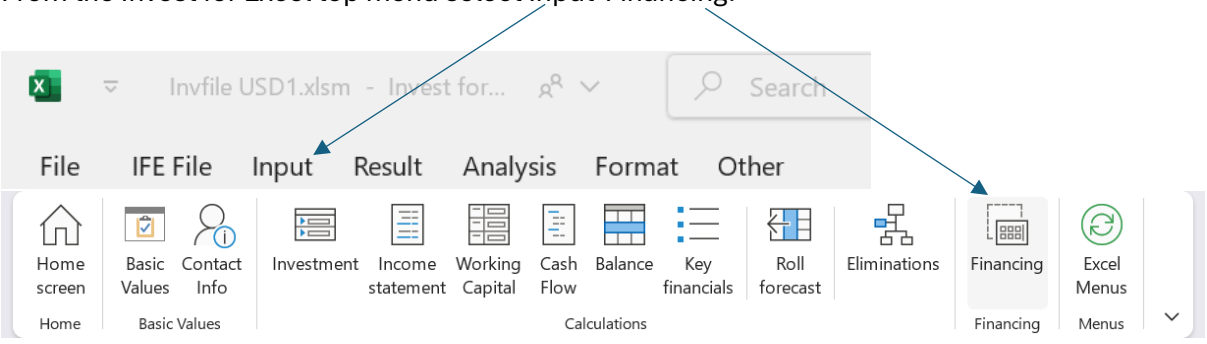


Imputed depreciation	Depr.-%	1/2027	12/2027	12/2028	12/2029	12/2030
Months per interval			12	12	12	12
1 **Project X**		-100 000	-100 000	-100 000		
Depreciation (straight line)	10,00%				-30 000	-30 000
Book value		100 000	200 000	300 000	270 000	240 000
2 **Interest costs during construction**						
Depreciation (straight line)						

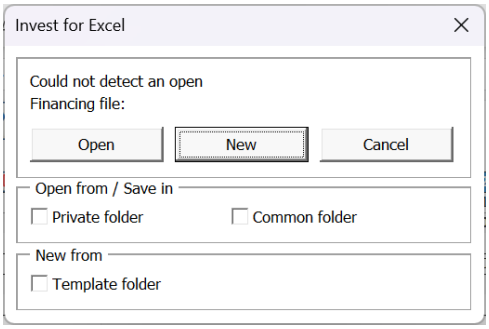
2. Financing module

Create a new financing file

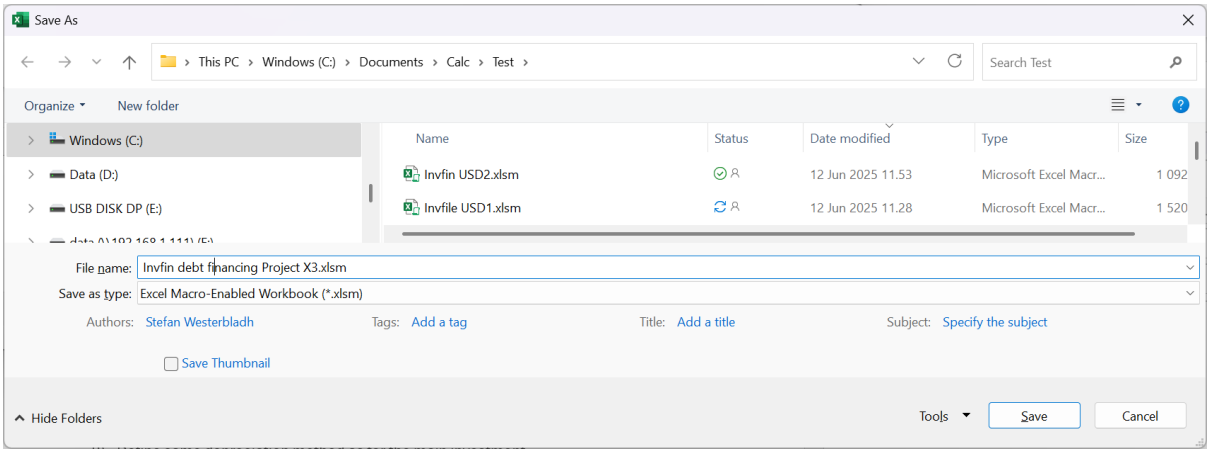
A) From the Invest for Excel top menu select Input-Financing:



B) Select to create a NEW financing file:

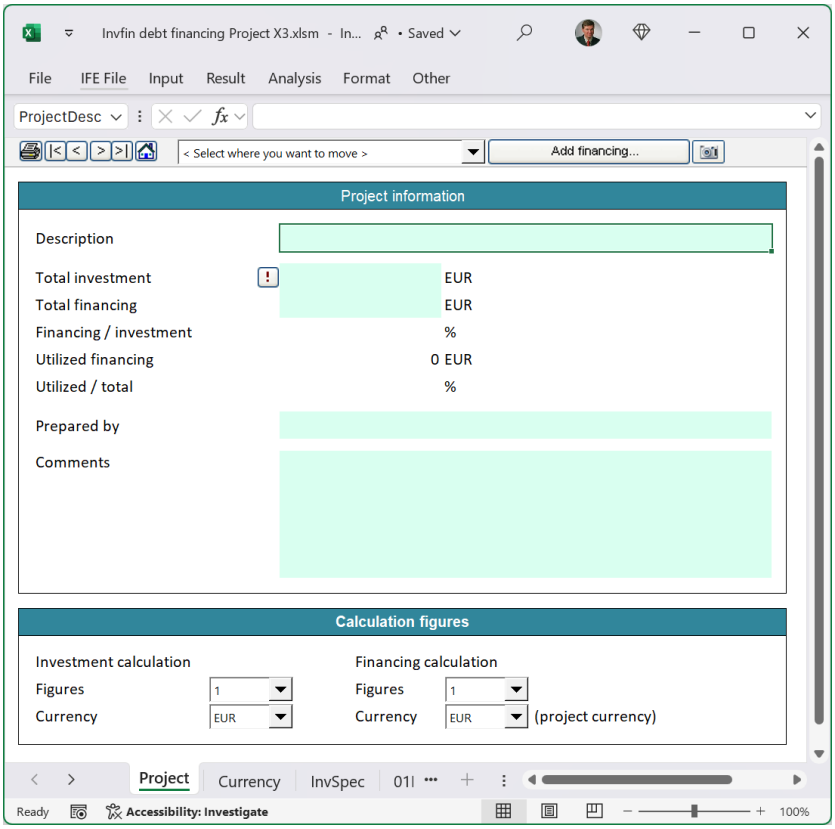


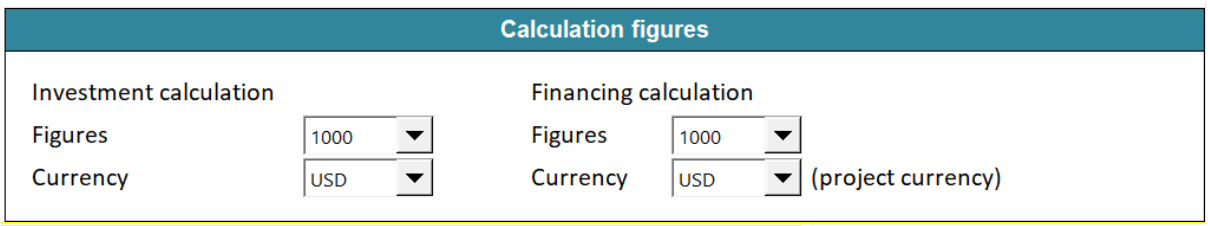
C) Name and save the Financing file



Import cash flows from calculation file to financing file

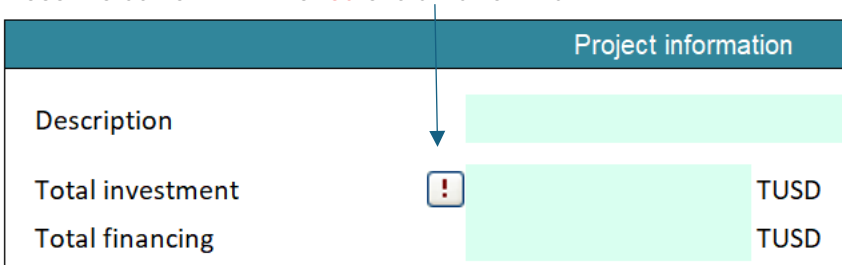
A) It is IMPORTANT to start by defining currency and figures in the lower part of the Project sheet



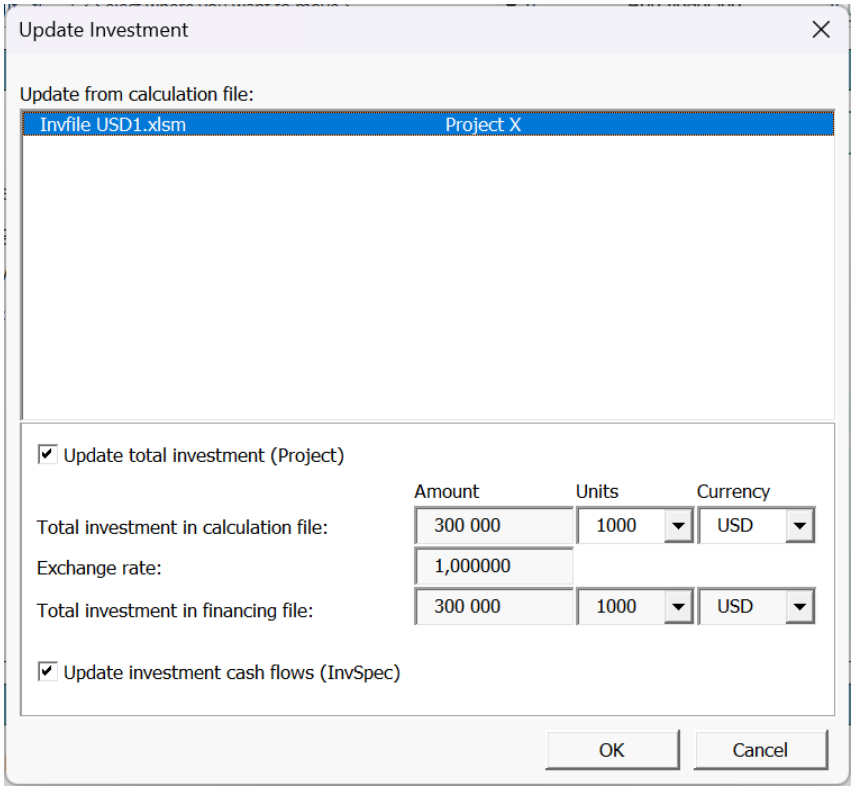


Example above, changed from 1 EUR to 1000 USD for both files.

B) Press the button with the red exclamation mark

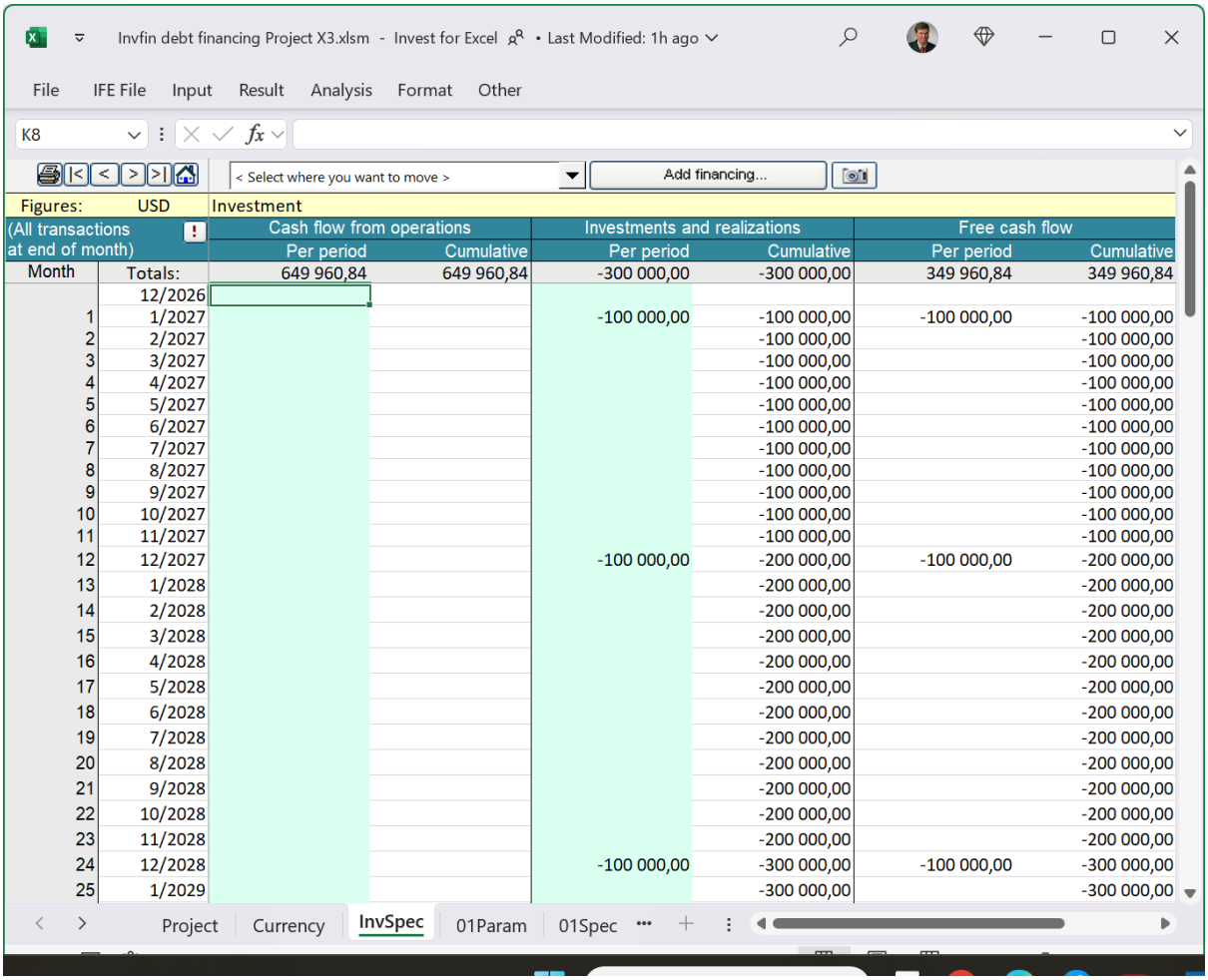


C) A dialog box opens



Open calculation files are listed. Select the correct one, in case you have several files open. Check that Units and Currency is as planned. Press OK.

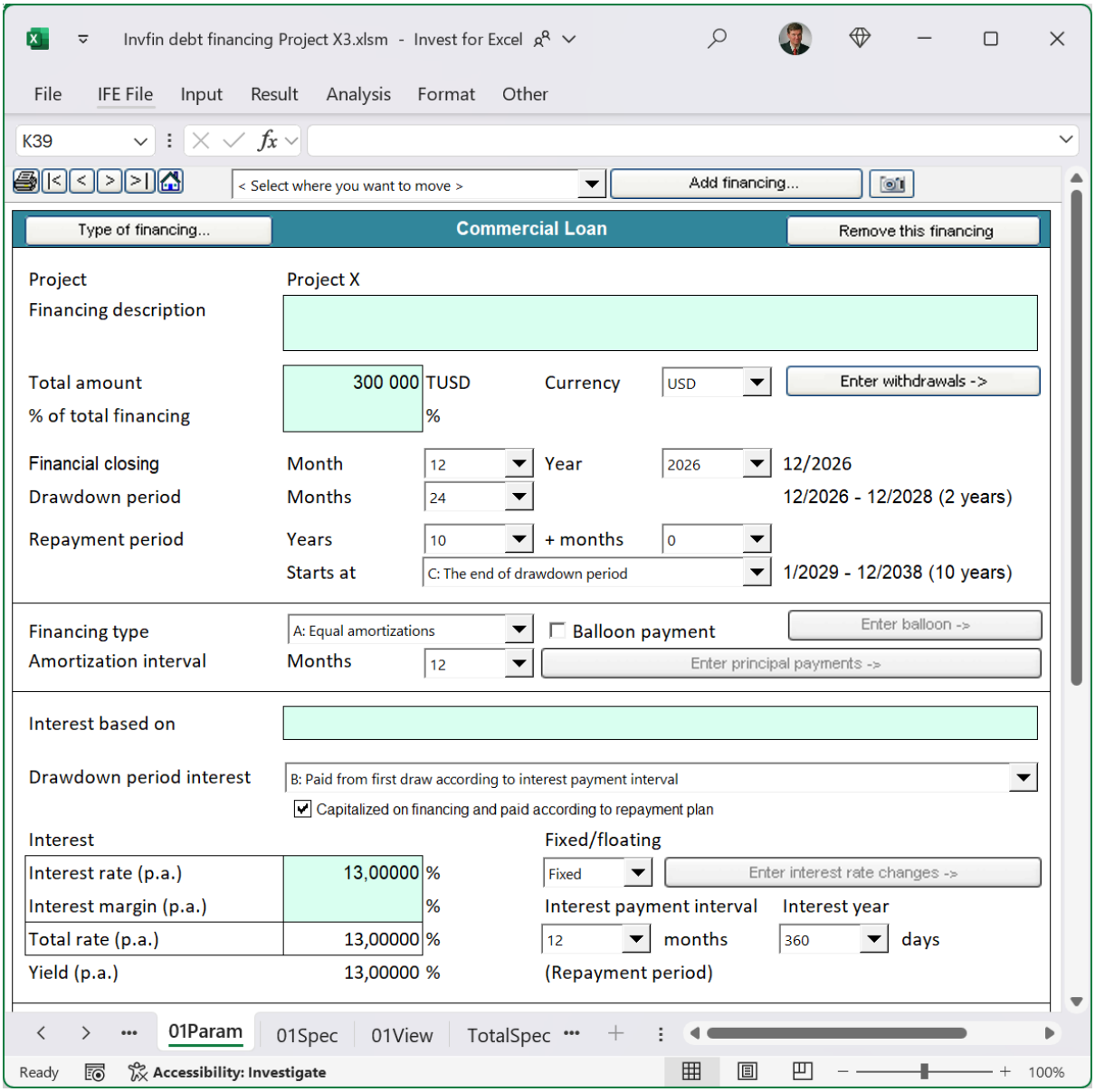
D) The cash flows are imported to Invspec sheet in Financing file:



Picture above: In the financing file, the periodization is always monthly. Also notice that the time axle is as rows, not columns.

Define the loan parameters and enter the loan withdrawals

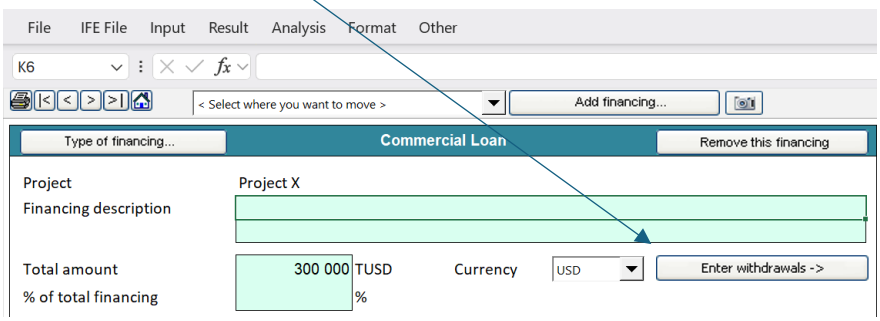
A) Select the 01Param sheet
B) Enter the loan parameters



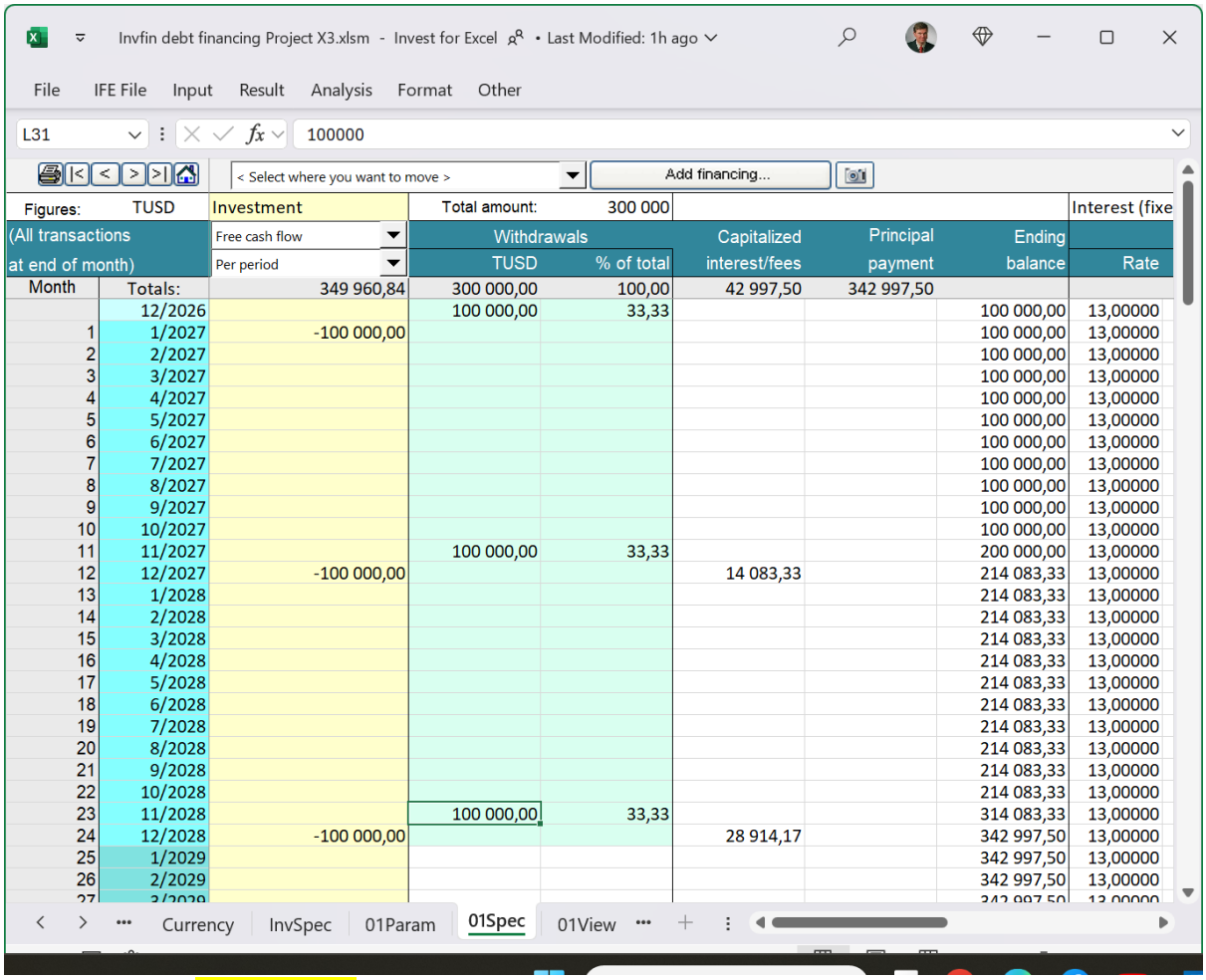
In the example above: Loan amount 300 000 TUSD. Financial closing one-month prior to 1st capex payment. The drawdown period is the same as the construction period (24 months in this example). Repayment period of loan is 10 years. Annual equal amortizations. Drawdown period interest is capitalized on financing an paid according to loan repayment plan. 13% interest rate.

C) Enter withdrawals

a. Press Enter withdrawals -> button or simply select 01Spec-sheet



b. Enter withdrawals in the green columns, in currency to the left, or percentage to the right.



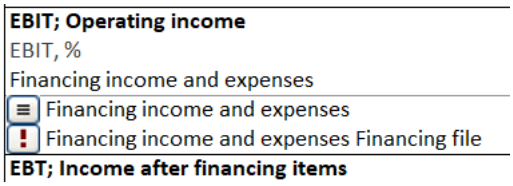
c. Save the file!

3. Update your investment calculation file with financing

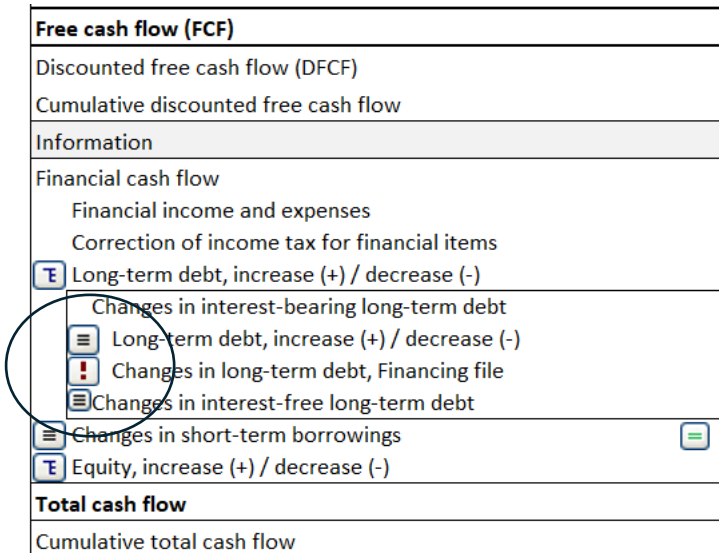
A) Switch back to your investment calculation file. The easy way to do it, is to select Input-Cash flow, from the top menu.

B) Locate the red exclamation button to press. You can find it in two places:

a. In Income Statement below EBIT:

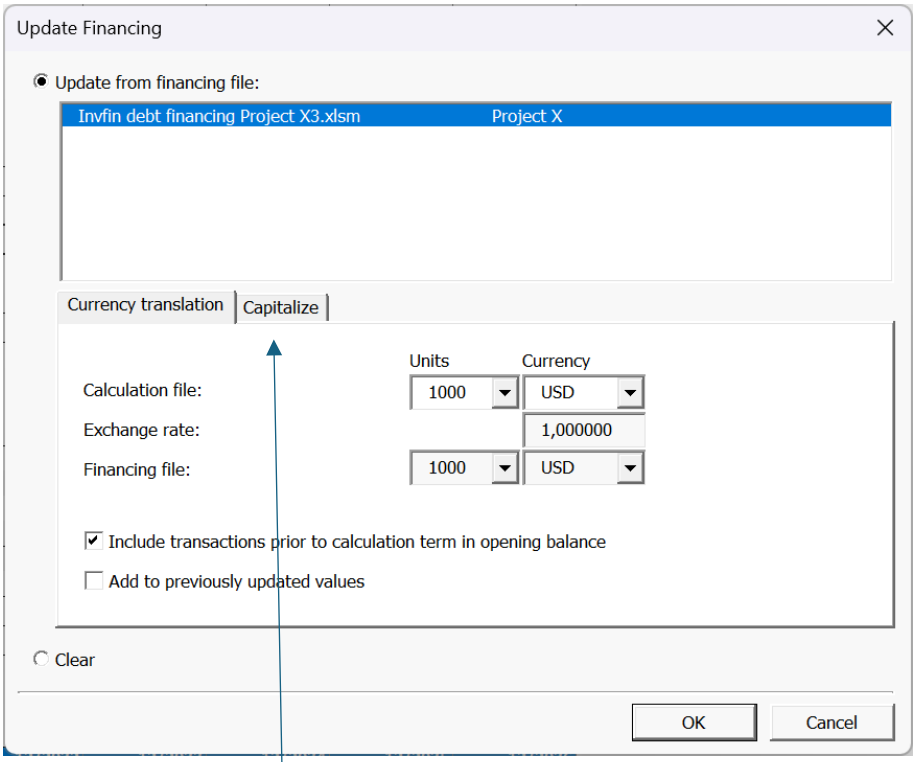


b. In the lower part of Cash flow statement:



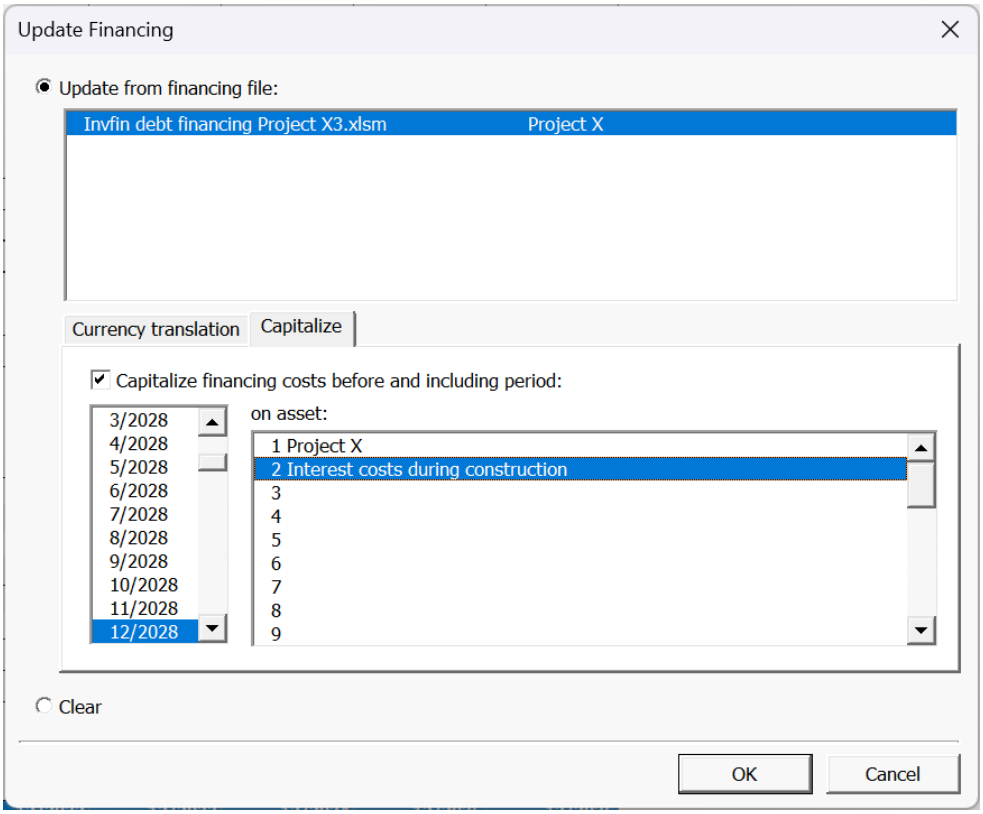
Picture above: You need to open the sub-rows of Long-term debt, increase(+)/decrease(-).

C) When you press the button this dialog box opens:



Hint: The Financing file should be open.

D) Select the Capitalize tab in the middle of the dialog box.
   a. Tick the “Capitalize financing costs before an including period (next page)
   b. Make sure that the last construction period is marked blue (next page)
   c. Choose which row to include the activated construction period financing costs:



E) Press OK

4. What you get

In the lower part of Cash flow statement:

Free cash flow (FCF)	**-100 000**	**-100 000**	**-100 000**	**65 200**	**69 072**	**73 183**	**77 547**
Discounted free cash flow (DFCF)	-100 000	-88 496	-78 315	45 187	42 363	39 721	37 247
Cumulative discounted free cash flow	-100 000	-188 496	-266 810	-221 623	-179 260	-139 540	-102 292
Information							
Financial cash flow							
Financial income and expenses	0	0	0	-44 590	-40 131	-35 672	-31 213
Correction of income tax for financial items	0	0	0	8 800	8 026	7 134	6 243
Long-term debt, increase (+) / decrease (-)	100 000	100 000	100 000	-34 300	-34 300	-34 300	-34 300
Changes in interest-bearing long-term debt	100 000	100 000	100 000	-34 300	-34 300	-34 300	-34 300
Long-term debt, increase (+) / decrease (-)							
Changes in long-term debt, Financing file	100 000	100 000	100 000	-34 300	-34 300	-34 300	-34 300
Changes in interest-free long-term debt							
Changes in short-term borrowings							
Equity, increase (+) / decrease (-)	0	0	0	0	0	0	0
Total cash flow	**0**	**0**	**0**	**-4 889**	**2 668**	**10 346**	**18 277**
Cumulative total cash flow	0	0	0	-4 889	-2 222	8 124	26 400

- Paid financial costs from start of operations, but no payments during construction period.
- The tax effect of debt showing up here below, but not included in FCF
- Loan withdrawals and repayments
- Not enough financing in the example above (-4889).

In the balance sheet:

Liabilities				
Long-term liabilities	100 000	214 083	308 698	274 398
Interest-bearing long-term debt	100 000	214 083	308 698	274 398
Interest-free long-term debt	0	0	0	0
Deferred tax liabilities	0	0	0	0
Short-term liabilities	0	0	34 300	34 300
Interest-bearing short-term liabilities	0	0	34 300	34 300
Short-term borrowings	0	0	0	0
Current portion of long-term loans	0	0	34 300	34 300
Interest-free short-term liabilities	0	0	0	0
Accounts payable	0	0	0	0
Other interest-free short-term debt	0	0	0	0
Accrued investment expenditure	0	0	0	0
Calculated tax debt	0	0	0	0
Total liabilities	100 000	214 083	342 998	308 698
SHAREHOLDERS' EQUITY AND LIABILITIES	**100 000**	**214 083**	**342 998**	**308 108**

Interest-bearing long-term debt and *Current portion of long-term loans*

In the Investments table:

INVESTMENTS (-) / REALIZATIONS (+)

Imputed depreciation		1/2027	12/2027	12/2028	12/2029	12/2030
Months per interval	Depr.-%		12	12	12	12
1 **Project X**		**-100 000**	**-100 000**	**-100 000**		
Depreciation (straight line)	**10,00%**				-30 000	-30 000
Book value		100 000	200 000	300 000	270 000	240 000
2 **Interest costs during construction**						
Depreciation (straight line)	**10,00%**				-4 300	-4 300
Book value		0	14 083	42 998	38 698	34 398
Investments		**-100 000**	**-100 000**	**-100 000**	**0**	**0**
Realizations		0	0	0	0	0
Depreciation		0	0	0	-34 300	-34 300
Realization profit (+) / loss (-)		0	0	0	0	0
Book value		100 000	214 083	342 998	308 698	274 398

The construction period financing costs show up in the book value, and depreciated in the same manner as the main asset.

In the Income statement:

INCOME STATEMENT

1000 USD	1/2027	12/2027	12/2028	12/2029	12/2030
Months per interval		12	12	12	12
EBITDA, Operating income before depreciation					
EBITDA, %				61,7%	62,0%
Depreciation	0	0	0	-34 300	-34 300
EBIT; Operating income	**0**	**0**	**0**	**39 700**	**44 540**
EBIT, %				33,1%	35,0%
Financing income and expenses	0	0	0	-44 590	-40 131
Financing income and expenses					
Financing income and expenses Financing file				-44 590	-40 131
EBT; Income after financing items	**0**	**0**	**0**	**-4 889**	**4 410**

Including debt finance in Invest for Excel calculation will NOT impact NPV, IRR, Payback etc.