Guide to the ESCALAR financial model

25 October 2023

Model's objective and overview

Objectives, key outputs and inputs of the financial model

Model's objectives

► The financial model ("the Model") representing a fund („the Fund") which will specialize in the private equity investments into the European scale-ups which will be co-financed by the ESCALAR programme developed by the European Commission and the European Investment Fund („EIF"). The Model aims to:

  ► Support potential users, such as managers and investors, in understanding the ESCALAR system, its operations and mechanisms, which are described in the corresponding term sheet („the Term sheet");

  ► Calculate the performance of the Fund and the potential returns of ESCALAR and non-ESCALAR limited partners;

  ► Visualise the Model's outputs in a user-friendly dashboard.

Key outputs and inputs

Inputs

► Forecast duration is 15 to 20 years;

► Timing and level of corresponding Fund drawdowns and distributions (e.g. exit from investment).

Outputs

► Cash drawdown and distribution waterfall;

► Internal rate of return (IRR) of the Fund;

► IRR of the non-ESCALAR limited partners;

► IRR of the ESCALAR.

Limitations on use of IRR

► Potential limitations on application of an IRR:

  ► Multiple IRRs or absence of IRR: In cases involving unconventional cash flows, the computation of multiple IRRs may be required or there may be no IRR.

  ► Reinvestment assumption: IRR methodology presumes that generated cash flows are reinvested in the IRR itself. This assumption may not faithfully reflect real-world reinvestment opportunities, thereby compromising the accuracy of investment appraisals.

  ► Non-conventional cash flows: Complex cash flow patterns, including irregular or uneven disbursements, can distort IRR calculations, thereby impairing the accuracy of investment assessments.

Spreadsheet explanatory notes

> The Model consists of two sections (i.e. Inputs and Outputs).
>
> All adjustments are meant to be carried out on the Inputs sheet, specifically in cells designated for modifications (yellow). The Outputs sheet will then generate the relevant outcomes based on these input changes.

Inputs_Template (Annually/Quarterly)

► This is the only sheet where hard-coded inputs are expected to be entered into dedicated (yellow) cells, please do not input hard-coded numbers into any other sheets (i.e. Outputs, Dashboard) or formulas.

► The input design assumes time dependent (i.e. tranche drawdown) and time independent inputs (i.e. value of commitment). Time dependent inputs change in time and need to be filled manually for each period. Time independent inputs remain the same for all the periods.

Basic layout of inputs and time independent inputs example[1]

1.1 Proportion of Investment			
Commitments	mil. EUR	200	Note: max 200
ESCALAR	%	40%	Note: max 50%
LP	%	60%	

↑ Input name   ↑ Unit   ↑ Value   ↑ Note

Hard-coded inputs should only be put into yellow cells.

The white cells (60% in this table example) should be left intact as they contain formulas and will be calculated automatically

Time dependent inputs example[1]

2.1 Drawdowns					
Period		1	2	3	4
Tranche 1	%	50 %			
Tranche 2	%		50 %		
Tranche 3	%				
Tranche 4	%				

Outputs_Template (Annually/Quarterly)

► No interaction from the user is required. Outputs only call-up data from the calculation sheet to construct financial reports and other outputs.

► Please note that the quarterly outputs are aggregated annually, allowing a more comprehensive overview.

[1]*Just for illustrative purposes, not the actual look in the Model*

Understanding tranches

Tranche general overview

▶ The Model has a tranche-based structure

▶ It operates on the principle of tranches, which in the context of the Model represent specific investments

▶ Given investments occur in specific periods

Limited number of tranches

▶ The maximum number of tranches is limited depending on a chosen timeframe.

    ▶ Quarterly defined tranches – maximum 80 tranches

    ▶ Annually defined tranches – maximum 20 tranches

Advantages of tranche-based structure

▶ Customizable investment strategies to investors´ needs

▶ Clear differentiation of complex investments in time

▶ Better detail of investments is provided

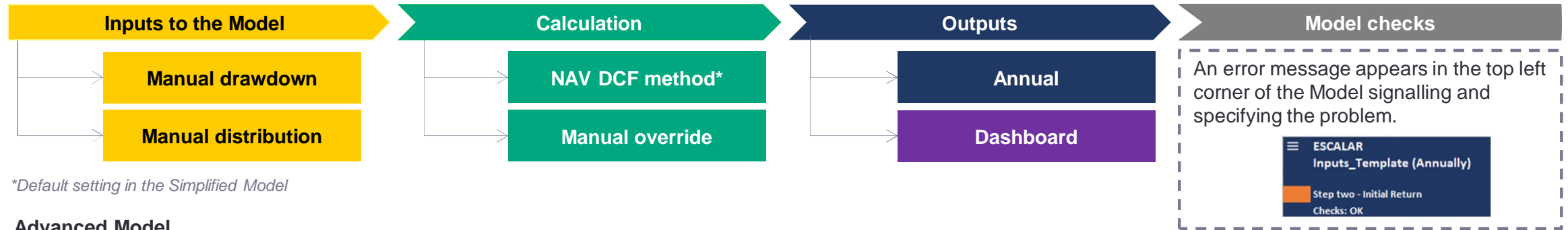| Period		1	2	3
Tranche 1	mil. EUR	100	50	
Tranche 2	mil. EUR		50	

The example above illustrates the division of EUR 200 million between two tranches in Period 1 and Period 2.

Please note that you will see multiple tranches in the Inputs sheet only if you enable tranche visibility (applies only to the Advanced version), if you opt for Disable, you will only see Tranche 1.
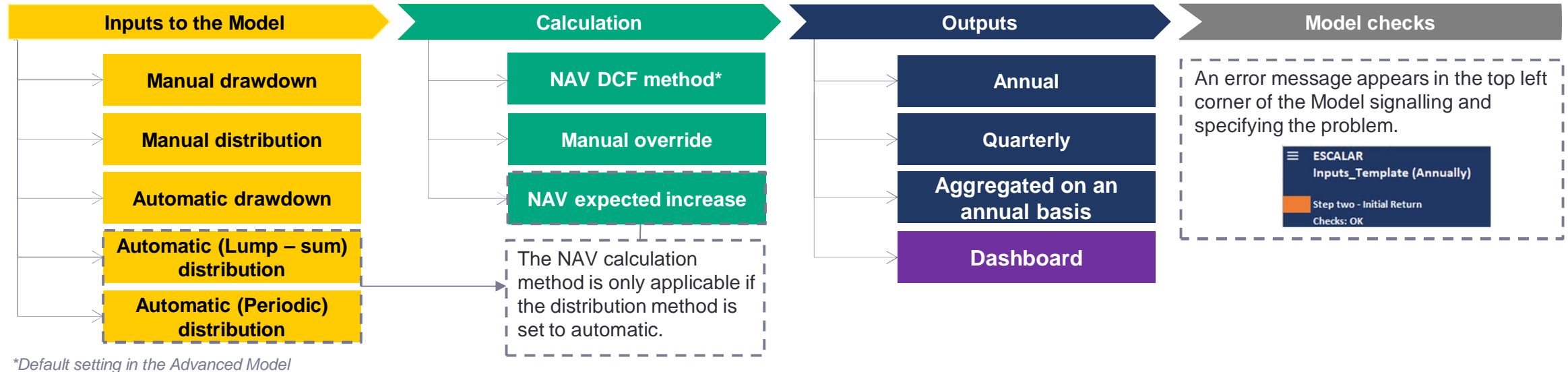
Overview of the Model structure

► The diagram below presents the main differences between the Model's simplified and advanced versions. More detailed information is presented in the following sections.

Simplified Model

Inputs to the Model	Calculation	Outputs	Model checks
Manual drawdown	NAV DCF method*	Annual	An error message appears in the top left corner of the Model signalling and specifying the problem.
Manual distribution	Manual override	Dashboard	

Default setting in the Simplified Model

Advanced Model

Inputs to the Model	Calculation	Outputs	Model checks
Manual drawdown	NAV DCF method*	Annual	An error message appears in the top left corner of the Model signalling and specifying the problem.
Manual distribution	Manual override	Quarterly	
Automatic drawdown	NAV expected increase	Aggregated on an annual basis	
Automatic (Lump – sum) distribution		Dashboard	
Automatic (Periodic) distribution			

The NAV calculation method is only applicable if the distribution method is set to automatic.

Default setting in the Advanced Model

Simplified version

Setting up the Model

► Upon opening the Model, in Guide sheet, the user will be prompted to choose the preferred version Model (i.e. Simplified or Advanced). Selected version is triggered by clicking on "run selected parameters".

Simplified version

► The user selects only the time period. The dialog box specifies that the time period must be between 15 and 20 years. Other parameters are predefined.

► Other parameters are predefined, so no other interaction is needed.

Simplified setup

Set up	✕
Time Period (15-20 years)	15 ▼
Timeframe Selection	Annually
Tranche Visibility	Disable
Drawdown method	Manually
Distribution method	Manually
Run selected parameters	

Predefined parameters

Time independent inputs

1.1 Proportion of Investment

Commitments	mil. EUR	200	Note: max. 200
ESCALAR	%	50.00%	Note: max. 50%
LP	%	50.00%	

► The investors' maximum commitment amount must not exceed EUR 200 million, and ESCALAR can fund up to a maximum of 50% of the committed amount.

1.2 Agreed Distribution Ratio in step three (all remaining)

ESCALAR	%	10.00%
LP	%	90.00%

► In this step the ratio has no restrictions.

1.3 Expected Return

Initial Return	%	3.00%	Note: min. 3%
ESCALAR Targeted Return	%	5.00%	Note: min. 5%

► The Initial Return and the ESCALAR Targeted Return have minimum returns of 3% and 5% respectively.

The inputs mentioned in the Term sheet have been reflected in the Model, so no change from the user is expected.

Drawdown methods

Drawdown method

► The drawdown method can be activated only "Manually" in the simplified version.

► Also, according to the Term sheet, drawdowns are expected to be allocated pro-rata between ESCALAR and LP.

"Manually" setting

► This setting means that the user has to input values into the drawdown tranches in absolute numbers (mil. EUR). This is the amount of money to be invested in a specific period.

2.1 Drawdowns

Period (years)		1	2	3
Tranche 1	mil. EUR	100	100	

Formula: *Drawdown amount = Drawdowns (mil. EUR)*

The example above illustrates the division of EUR 200 million, EUR 100 million will be deployed in Period 1 and another EUR 100 million will be deployed in Period 2.

The example explains how EUR 200 million is divided over two periods. The inputs should be in absolute numbers.

Distribution methods

Distribution method

► In the simplified version, the distribution method can only be set to "Manually".

"Manually" setting

► In this setting, the user has to input an absolute number, which represents the total payout (including the committed amount) in a particular period.

2.2 Distributions

Period (years)		5	6
Tranche 1	mil. EUR	300	200

Formula: *Distributed amount = distributions (mil. EUR)*

Trigger event

Understanding the trigger event and the "1.4 Trigger event (optional)" inputs

▶ The trigger event is activated when the ratio of NAV to ESCALAR Shares Net Paid-In drops below 1.5x. Once activated, ESCALAR receives all distributions until the ESCALAR Net Paid-In is reduced to zero (i.e. the sum of ESCALAR's drawdowns equals the sum of ESCALAR's distributions) or until the trigger is remediated (ratio goes over 1.5x). This trigger event can also be manually activated under "2.3 Trigger event (optional)".

$$\text{IF} \quad \frac{\textbf{NAV}}{\textbf{ESCALAR Net Paid-In}} \quad < \quad \text{than} \quad \textbf{1.5x} \quad \text{then} \quad \textbf{trigger event activated}$$

NAV	Net Asset Value of the Fund or the LP

ESCALAR Net Paid-In	Aggregate ESCALAR commited amount minus any distributions received

Trigger event activated	After the activation of the trigger event ESCALAR receives all distributions until the ESCALAR Net Paid-In is reduced to zero (i.e. the sum of ESCALAR's drawdowns equals the sum of ESCALAR's distributions) or until the trigger is remediated (ratio goes over 1.5x).

NAV

DCF Method

▶ DCF Method, specified under "1.4 Trigger event (optional)". First, the IRR of the Net Cash Flows is calculated. Next, the future Cash Flows of the Fund are discounted by this IRR, effectively determining the NAV.

▶ Note that user can use optional input „NAV – manual override (see picture below) specified under "2.3 Trigger event (optional)", which is superior to DCF Method and will set the NAV in a specific period to the defined amount.

2.3 Trigger event (optional)

Period		1	2	3
NAV – manual override	mil. EUR		150	

NAV before manual override

Period		1	2	3
NAV	mil. EUR	200	200	200

NAV after manual override

Period		1	2	3
NAV	mil. EUR	200	150	200

In Simplified version, NAV does not affect the distribution calculation. It serves just as an input to the NAV/ESCALAR Net Paid-In ratio calculation (trigger event).
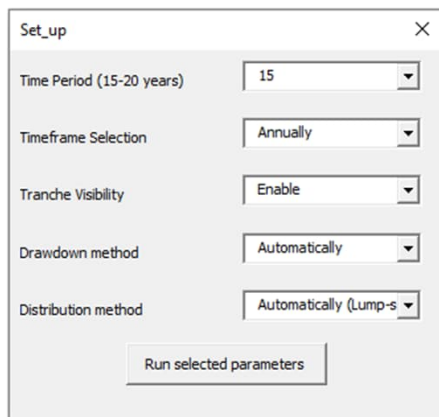
Setting up the Model

► Upon opening the Model, in the Guide sheet, the user will be prompted to choose the preferred version Model (i.e. Simplified or Advanced). Selected version is triggered by clicking on "run selected parameters".

Advanced version

► Upon clicking the "Advanced" button found on the Guide sheet a pop-up window will appear, prompting the user to enter five different inputs, each described below:

  ► Time period – choose the desired time period from the drop-down menu. The dialog box specifies that the time period must be between 15 and 20 years.

  ► Timeframe selection – when the user selects a timeframe, the application will tailor its display to either an annual or quarterly basis. Consequently, all financial data, calculations, and projections will be adapted to align with the chosen period. Note that both versions are functionally identical.

  ► Tranche visibility – if the user selects "Enable", the application will automatically set the number of tranches to match the number of time periods the Model is set to display. If the user selects "Disable", the application will automatically set the number of tranches to one.

  ► Drawdown method and distribution method are described on following two slides as they need a more detailed explanation.

Advanced setup

Set_up	×
Time Period (15-20 years)	15 ▼
Timeframe Selection	Annually ▼
Tranche Visibility	Enable ▼
Drawdown method	Automatically ▼
Distribution method	Automatically (Lump-s ▼
	Run selected parameters

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Time independent inputs

1.1 Proportion of Investment

Commitments	mil. EUR	200	Note: max. 200
ESCALAR	%	50.00%	Note: max. 50%
LP	%	50.00%	

► The investors' maximum commitment amount must not exceed EUR 200 million, and ESCALAR can fund up to a maximum of 50% of the committed amount.

1.2 Agreed Distribution Ratio in step three (all remaining)

ESCALAR	%	10.00%
LP	%	90.00%

► In this step the ratio has no restrictions.

1.3 Expected Return

Initial Return	%	3.00%	Note: min. 3%
ESCALAR Targeted Return	%	5.00%	Note: min. 5%

► The Initial Return and the ESCALAR Targeted Return have minimum returns of 3% and 5% respectively.

The inputs mentioned in the Term sheet have been reflected in the Model, so no change from the user is expected.

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Drawdown methods

Drawdown method

► The drawdown method can be activated either "Manually" or "Automatically", based on the set-up the user defines.

► Also, according to the Term sheet, drawdowns are expected to be allocated pro-rata between ESCALAR and LP.

"Manually" setting

► This setting means that the user has to input values into the drawdown tranches in absolute numbers (mil. EUR). This is the amount of money to be invested in a specific tranche in a specific period.

2.1 Drawdowns

Period		1	2	3
Tranche 1	mil. EUR	100	50	
Tranche 2	mil. EUR		50	

Formula: *Drawdown amount = Drawdowns (mil. EUR)*

The example above illustrates the division of EUR 200 million between two tranches. EUR 100 million will be deployed in Tranche 1 in Period 1 and another EUR 100 million will be deployed in Period 2, this time EUR 50 million in Tranche 1 and EUR 50 million in Tranche 2.

"Automatically" setting

► In this setting the inputs must be percentages. The sum of the percentages along all tranches and all periods must add up to 100%. The percentages indicate a portion of the commitment amount (Inputs sheet cell F11). This calculates the commitment for a specific period and tranche by multiplying the total commitment by the corresponding percentage.

1.1 Proportion of Investment

Commitments	mil. EUR	200	Note: max. 200

2.1 Drawdowns

Period		1	2	3
Tranche 1	%	50%	25%	
Tranche 2	%		25%	

Formula: *Drawdown amount = Commitments * Drawdowns (%)*

In the example shown above a commitment of EUR 200 million is assumed (Inputs sheet cell F11).

The example above illustrates the division of these EUR 200 million between two tranches. 50% (EUR 100 million) of the committed amount will be deployed in Tranche 1 in Period 1 and another 50% (EUR 100 million) of the committed amount will be deployed in Period 2, this time 25% (EUR 50 million) in Tranche 1 and 25% (EUR 50 million) in Tranche 2.

Please note that all the above examples will produce the same drawdown output (i.e. EUR 100 million in year 1 as well as EUR 50 million in year 2 for Tranche 1 and EUR 50 million in year 2 for Tranche 2).

Distribution methods (1/2)

Distribution method

► The distribution method can be selected from the following three options: either "Manually", "Automatically (lump-sum)" or "Automatically (periodic)". However, effectively there is a fourth way under the Automatic option in which distributions can occur. Each of these settings is explained on the following two slides.

"Manually" setting

► In this setting, the user has to input an absolute number, which represents the total payout (including the commited amount) in a particular tranche.

2.2 Distributions

Period (years)		5	6
Tranche 1	mil. EUR	300	
Tranche 2	mil. EUR		200

Formula: *Distributed amount = distributions (mil. EUR)*

"Automatically (lump-sum)" setting

► Under "1.5 Lump-sum distribution" the user inputs the distribution year in which the committed amount together with the profits will be distributed in one period (100% distribution).

► The "1.6 Return on investment" is an extra factor, which determines the multiple by which the invested amount in the respective tranche will be multiplied.

2.1 Drawdowns

Period		1	2	3
Tranche 1	mil. EUR	100		
Tranche 2	mil. EUR		100	

1.5 Lump-sum distribution

Tranche 1	years	5
Tranche 2	years	6

1.6 Return on investment

Tranche 1	#	3
Tranche 2	#	2

Formula: *Distributed amount = Drawdowns* Return on investment * 100% distribution in the selected year*

"Automatically (periodic)" setting

► The invested amount is multiplied by the multiple specified under the "1.6 Return on investment".

► Final amount is then distributed according to the percentages specified under Section 2.2.

2.1 Drawdowns

Period		1	2	3
Tranche 1	mil. EUR	100		
Tranche 2	mil. EUR		100	

1.6 Return on investment

Tranche 1	#	3
Tranche 2	#	2

2.2 Distributions

Period (years)		5	6
Tranche 1	%	100%	
Tranche 2	%		100%

Formula: *Distributed amount = Drawdowns* Return on investment * distributions (%)*

Please note that all the above examples will produce the same distribution output (i.e. EUR 300 million in year 5 for Tranche 1 and EUR 200 million in year 6 for Tranche 2).

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Distribution methods (2/2)

Expected increase

► Expected increase is only available under the Automatic distribution setting as an alternative to the DCF methodology. Users have the option to switch to this method in cell F27 in the Inputs sheet. This method calculates distributions by increasing initial commitments by a predetermined amount (specified in "2.2.3 Distribution expected increase"). In the lump-sum scenario, the full amount (100% distribution) is paid out. For periodic distribution, the payouts align with the percentages in Section 2.2.

Lump-sum distribution example

2.1 Drawdowns

Period		1	2	3
Tranche 1	mil. EUR	100	50	
Tranche 2	mil. EUR		50	

2.2.3 Distribution expected increase

Period (years)		1	2	3	4	5
NAV – Capital gain	%	15%	15%	15%	15%	15%

1.5 Lump-sum distribution

Tranche 1	years	5
Tranche 2	years	6

Formula[1]: *Drawdowns* (1+Capital gain)^ Years invested*

In this example an assumed EUR 150 million is invested in Tranche 1 and EUR 50 million is invested in Tranche 2.

The NAV of the Fund will experience incremental growth at the specified percentages (e.g. an annual increase of 15%) up until the conclusion of the fourth year. Subsequently, the entire Tranche 1 will be distributed in year 5. Following this distribution, the remaining assets will continue to grow at the specified rate until the fifth year, after which the remaining amount will be distributed in year 6. Please note that the NAV doesn´t increase in the distribution year.

Automatic distribution example

2.1 Drawdowns

Period		1	2	3
Tranche 1	mil. EUR	100	50	
Tranche 2	mil. EUR		50	

2.2.3 Distribution expected increase

Period (years)		1	2	3	4	5
NAV – Capital gain	%	15%	15%	15%	15%	15%

2.2 Distributions

Period (years)		5	6
Tranche 1	%	100%	
Tranche 2	%		100%

Formula[1]: *Drawdowns* (1+Capital gain)^ Years invested * Distributions (%)*

This example is essentially the same as the example shown on the left, the only difference is that the user chooses the distribution period (Section 2.2) instead of one lump-sum distribution.

Please note that all the above examples will produce the same distribution output (i.e. EUR 251 million in year 5 for Tranche 1 and EUR 87 million in year 6 for Tranche 2).

[1] This is simplified version of formula, which is not included in Model, due to its limitations (i.e. unchanged capital gain). However, in case the capital gain is not the same for the whole investment period, the principal logic of the calculation remains unchanged.

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Examples of correct Model functionality

Correct tranche input (drawdowns)

► The inputs can be in a % or an absolute number format, based on the set up defined by the user.

Automatic method: Correct % input example

2.1 Drawdowns

Period		1	2	3	4
Tranche 1	%	50 %			
Tranche 2	%		50 %		
Tranche 3	%				
Tranche 4	%				

> The input is correct because the sum of percentages adds up to 100%.

Manual method: Correct absolute number input example

2.1 Drawdowns

Period		1	2	3	4
Tranche 1	mil. EUR	25			
Tranche 2	mil. EUR	25	50		
Tranche 3	mil. EUR		100		
Tranche 4	mil. EUR				

> Assume EUR 200 million total commitment.
>
> The input is correct because the sum of numbers in all tranches adds up to the total EUR 200 million amount.

Correct tranche input (distribution)

► As in the drawdown inputs, the distribution inputs can be also entered in a % or an absolute number format.

Automatic method: Correct % input example

2.2 Distributions

Period		7	8	9	10
Tranche 1	%		25%		75%
Tranche 2	%				100%
Tranche 3	%				
Tranche 4	%				

> The input is correct because the sum of percentages in each tranche adds up to 100%.

Manual method: Correct absolute number input example

2.2 Distributions

Period		7	8	9	10
Tranche 1	mil. EUR		400		
Tranche 2	mil. EUR			300	200
Tranche 3	mil. EUR				
Tranche 4	mil. EUR				

> The input in absolute numbers can be any amount.

Please note that for drawdowns, the combined percentages across tranches should equal 100%, since each percentage in each cell is reflecting the drawn-down amount from the total commitment. Regarding distributions, within each tranche, the percentages must equal 100%, since these percentages indicate the portion designated for distribution just in that specific tranche.

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Drawdown and distribution tranche input examples

Automatic method: Correct drawdown and distribution inputs example[1]

Commitments mil.EUR **200**

→ EUR 200 million is the total commitment of the Fund.

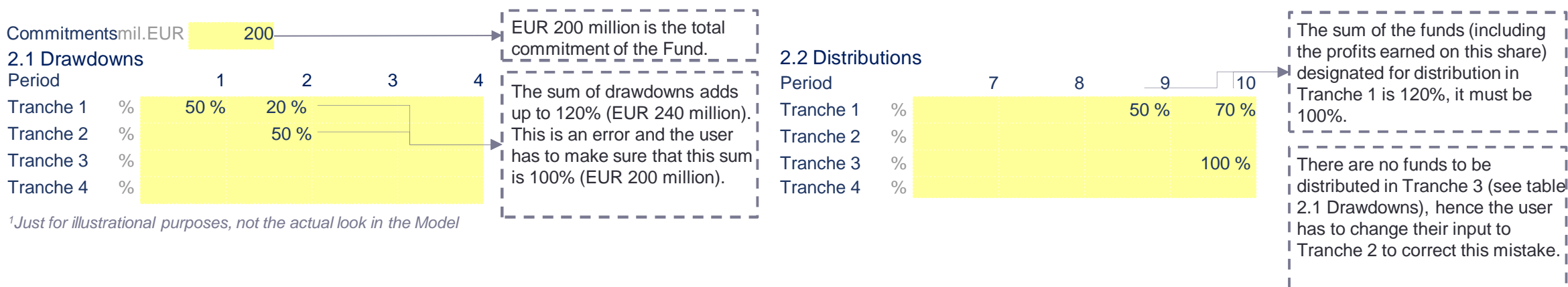→ EUR 100 million (50%) of this commitment is invested in Tranche 1 and the other EUR 100 million is invested in Tranche 2.

2.1 Drawdowns

Period		1	2	3	4
Tranche 1	%	50 %			
Tranche 2	%		50 %		
Tranche 3	%				
Tranche 4	%				

2.2 Distributions

Period		7	8	9	10
Tranche 1	%			50 %	50 %
Tranche 2	%				100 %
Tranche 3	%				
Tranche 4	%				

50% (EUR 50 million) of Tranche 1 together with the profits earned on this amount is distributed in Period 9, the other half is distributed in Period 10.

100% (EUR 100 million) of Tranche 2 together with the profits is distributed in Period 10.

[1]Just for illustrational purposes, not the actual look in the Model

Automatic method: Incorrect drawdown and distribution inputs example[1]

Commitments mil.EUR **200**

→ EUR 200 million is the total commitment of the Fund.

→ The sum of drawdowns adds up to 120% (EUR 240 million). This is an error and the user has to make sure that this sum is 100% (EUR 200 million).

2.1 Drawdowns

Period		1	2	3	4
Tranche 1	%	50 %	20 %		
Tranche 2	%		50 %		
Tranche 3	%				
Tranche 4	%				

2.2 Distributions

Period		7	8	9	10
Tranche 1	%			50 %	70 %
Tranche 2	%				
Tranche 3	%				100 %
Tranche 4	%				

The sum of the funds (including the profits earned on this share) designated for distribution in Tranche 1 is 120%, it must be 100%.

There are no funds to be distributed in Tranche 3 (see table 2.1 Drawdowns), hence the user has to change their input to Tranche 2 to correct this mistake.

[1]Just for illustrational purposes, not the actual look in the Model

! There are two basic rules which should be followed when inputting values to tranches: i) the sum of the drawdown tranches must be 100% when using percentage inputs ii) ensure that the input values for drawdowns and distributions are entered into the designated cells corresponding to the correct tranche.

One important caveat regarding the functioning of the tranches is that each tranche does not operate independently. This means that any profits can be used to cover the initial drawdown of portfolio, to satisfy Step 1 defined in the termsheet.

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Trigger event

Understanding the trigger event and the "1.4 Trigger event (optional)" inputs

► The trigger event is activated when the ratio of NAV to ESCALAR Shares Net Paid-In drops below 1.5x. Once activated, ESCALAR receives all distributions until the ESCALAR Net Paid-In is reduced to zero (i.e. the sum of ESCALAR's drawdowns equals the sum of ESCALAR's distributions) or until the trigger is remediated (ratio goes over 1.5x). This trigger event can also be manually activated under "2.3 Trigger event (optional)".

$$\text{IF} \quad \frac{\textbf{NAV}}{\textbf{ESCALAR Net Paid-In}} \quad < \quad \text{than} \quad \textbf{1.5x} \quad \text{then} \quad \textbf{trigger event activated}$$

NAV	Net Asset Value of the Fund or the LP	**ESCALAR Net Paid-In**	Aggregate ESCALAR commited amount minus any distributions received

Trigger event activated	After the activation of the trigger event ESCALAR receives all distributions until the ESCALAR Net Paid-In is reduced to zero (i.e. the sum of ESCALAR's drawdowns equals the sum of ESCALAR's distributions) or until the trigger is remediated (ratio goes over 1.5x).

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NAV

DCF Method

▶ DCF Method, specified under "1.4 Trigger event (optional)". First, the IRR of the Net Cash Flows is calculated. Next, the future Cash Flows of the Fund are discounted by this IRR, effectively determining the NAV.

▶ Note that user can use optional input „NAV – manual override (see picture below) specified under "2.3 Trigger event (optional)", which superior to DCF Method and will set the NAV only in a specific period to the defined amount.

▶ DCF method does not affect the distribution calculation. It serves just as an input to the NAV/ESCALAR Net paid-in ratio calculation (trigger event).

Expected increase (optional)

▶ If the user configures the Model to have Automatic distribution, they will have the option to switch (cell F27 in inputs sheet) the NAV selected scenario under "1.4 Trigger event (optional)" to Expected increase (see diagram below) and this will introduce 1 new NAV calculation method.

  ▶ Annual percentage capital gain. Under "2.2.3 Distribution expected increase" the user can set a predetermined annual growth amount. For a more comprehensive overview, please refer to slide 19.

▶ User can use optional input „NAV – manual override (see picture below) specified under "2.3 Trigger event (optional)", which superior to DCF Method and will set the NAV a in a specific period to the defined amount. Note that this change will affect future distributions.

1.4 Trigger event (optional)

NAV selected scenario	#	Expected increase

Using optional input manual override with DCF Method

2.3 Trigger event (optional)

Period		1	2	3
NAV – manual override	mil. EUR		150	

NAV before manual override

Period		1	2	3
NAV	mil. EUR	200	200	200

NAV after manual override

Period		1	2	3
NAV	mil. EUR	200	150	200

Using optional input manual override with Expected increase

2.3 Trigger event (optional)

Period		1	2	3
NAV – manual override	mil. EUR		150	

NAV before manual override *

Period		1	2	3
NAV	mil. EUR	200	220	242

NAV after manual override *

Period		1	2	3
NAV	mil. EUR	200	150	165

NAV – capital gain is 10%

Presentation of outputs

Structure of financial Model output data

▶ The outputs are divided into 4 sections (i.e. Fund, ESCALAR, LP, LP without ESCALAR), the structure of which is described in the table below.

▶ Some metrics may be grouped due to the tranche-based system. If desired, ungroup the metric for a more detailed version by individual tranches.

Metric	Included in section	Description
Drawdowns	Fund, ESCALAR, LP, LP without ESCALAR	Represents the investment made
Distribution - Step one (capital only)	Fund, ESCALAR, LP, LP without ESCALAR	Distribution once the party reaches the required IRR of 0% (Distribution in step one equals drawdown) *
Distribution - Step two (Initial Return)	Fund, ESCALAR, LP	Distribution on a pro-rata to the respective drawn amounts, until ESCALAR and non-ESCALAR LPs reach the required IRR of 3% *
Net cash flow - Step two (Initial Return)	Fund, ESCALAR, LP	Net cash flow refers to the difference between the cash inflows (i.e. sum of distributions in step one and two) and cash outflows (i.e. drawdown)
Distribution - Step three (all remaining)	Fund, ESCALAR, LP, LP without ESCALAR	All remaining proceeds are distributed in a pre-agreed proportion
Total distribution	Fund, ESCALAR, LP, LP without ESCALAR	Sum of distributions (i.e. Step one, two and three)
Net cash flow	Fund, ESCALAR, LP, LP without ESCALAR	Net cash flow refers to the difference between the cash inflows (i.e. sum of distributions in step one, two and three) and cash outflows (i.e. drawdown)
IRR - Step two (Initial Return)	Fund, ESCALAR, LP	Performance after step two. ESCALAR IRR should equal to or be greater than 3% *
IRR - Step three (all remaining)	Fund, ESCALAR, LP, LP without ESCALAR	The overall performance from the point of view of each party
NAV	Fund	Represents the NAV of the Fund
Net Paid-In	Fund, ESCALAR	The aggregate commitment drawdown less any distributions received
NAV/Net Paid-In	ESCALAR	Ratio of NAV to ESCALAR Shares Net Paid-In after trigger event. If the ratio drops below 1.5x it is activated trigger event.
Active Trigger event	ESCALAR	Indicates trigger event (i.e. „1" – Trigger event is activated).

*Not valid in case of insufficient distribution

Appendix

Distributable investment proceeds distribution rules

1st step

► To ESCALAR Shares and LP Shares on a pro-rata to the respective drawn amounts, until ESCALAR Net Paid-In and LP Shares Net Paid-In are reduced to zero.

► In the case of activated trigger event (the ratio of NAV to ESCALAR Shares Net Paid-In drops below 1.5x) ESCALAR receives all distributions until the ESCALAR Net Paid-In is reduced to zero (i.e. the sum of ESCALAR's drawdowns equals the sum of ESCALAR's distributions) or until the trigger is remediated (ratio goes over 1.5x).

2nd step

► To ESCALAR Shares and LP Shares on a pro-rata to the respective drawn amounts, until the Initial Return is paid.

3rd step

► To ESCALAR Shares and LP Shares, all remaining proceeds in a pre-agreed proportion (in favour of the LP Shares).