

CI II US AIV QFPF K/S
Central Business Registration No
37 78 93 72
Nørregade 21
1165 Copenhagen K

Annual report 2016

The Annual General Meeting adopted the annual report on 24.05.2017

Chairman of the General Meeting

Name: Mogens Thorninger

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Fund details

Fund

CI II US AIV QFPF K/S

Nørregade 21

1165 Copenhagen K

Central Business Registration No: 37 78 93 72

Founded: 13.06.2016

Registered in: Copenhagen

Financial year: 13 June 2016 - 31 December 2016

Telephone: +45 70 70 51 51

Internet: www.cip.dk

General Partner

Copenhagen Infrastructure II GP ApS

Fund Manager

Copenhagen Infrastructure Partners II P/S

Approved Manager of Alternative Investment Funds (FSA number: 23014)

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by General Partner on the annual report

The General Partner has today considered and approved the annual report of CI II US AIV QFPF K/S for the financial year 13 June 2016 – 31 December 2016.

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Limited Partnership's financial position at 31 December 2016 and of the results of its operations and the cash flows for the financial year 13 June 2016 – 31 December 2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 10 May 2017

On behalf of Copenhagen Infrastructure II GP ApS

Mogens Thorninger

Torben Carlsen

Independent auditor's report

To the shareholders of CI II US AIV QFPF K/S

Opinion

We have audited the financial statements of CI II US AIV QFPF K/S for the financial year 13.06.2016 - 31.12.2016, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 13.06.2016 - 31.12.2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

General Partner's responsibilities for the financial statements

The General Partner is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless the General Partner either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement

Independent auditor's report

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

The General Partner is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 10.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bill Haudal Pedersen
State-Authorised
Public Accountant

Michael Thorø Larsen
State-Authorised
Public Accountant

Management commentary

2016
DKK'000

Financial highlights

Key figures

Profit/loss from ordinary activities (EBIT)	(4,444)
Profit/loss for the year	(587)
Equity	106,521
Balance sheet total	122,730

Ratios

Solvency ratio (%)	86.79
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Primary activity

CI II US AIV QFPF K/S (CI II) was established in June 2016 and is managed by Copenhagen Infrastructure Partners II P/S (CIP). The General Partner of CI II is Copenhagen Infrastructure II GP ApS.

Investments

End of 2016, CI II had not yet made any transactions, which have had financial investment decision.

Development in activities and finances

Income from investments in 2016 (13 June 2016 – 31 December 2016, i.e. 6.5 months) amounts to DKK 2.5 m.

Net Income for 2016 amounts to a loss of DKK 0.6 m, which is in accordance with the expectations. The result reflects income from investments, partly offset by administration costs and transaction costs expensed, during the period.

Limited Partners' paid-in capital to the Fund at the end of 2016 amounted to DKK 107.1m, equalling 18.1% of the committed capital of DKK 592m. Total Limited Partners' capital amounted to DKK106.5m reflecting the Limited Partners' paid-in capital plus accumulated net loss since Fund initiation.

Management commentary (continued)

Uncertainty relating to recognition and measurement

CI II develops and invests in infrastructure projects structured to provide stable cash flows, but where transferability and cash flows to a certain extent still may be affected by changes in market conditions. Consequently, the fair value of the investments is based on estimates and a number of assumptions made by the General Partner on the balance sheet date.

Information according to the Alternative Investment Fund Managers Directive

According to Article 22 of the Alternative Investment Fund Managers Directive, Alternative Investment Funds (AIF) must make certain disclosures to investors in connection with the presentation of financial statements.

During the financial period covered by the financial statements, there have been no significant changes in the matters below:

- The Fund's Investment strategy;
- Valuation principles of the Fund's investments;
- New arrangements for managing the Fund's liquidity;
- The Fund's risk profile and the risk management systems implemented by the Fund Manager used to manage the Fund's risks;
- There have been no amendments to the maximum level of leverage which the Fund Manager can use on behalf of the Fund. Nor has there been any changes in the right to use collateral or any guarantee accordance with the agreement allowing for the leverage.

Events after the balance sheet date

End of March 2017 CI II announced the Bearkat I investment, an onshore wind farm with a total expected capacity of 197.7 MW located in Glasscock County, Texas. The construction have now commenced.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Outlook

The outlook for the Limited Partnership is expected to be positive.

The number of investments is expected to increase during 2017.

Statement of comprehensive income

	<u>Notes</u>	2016 DKK'000
Net foreign currency gains		<u>2,546</u>
Operating income		<u>2,546</u>
Administrative expenses	3	<u>(4,444)</u>
Total operating expenses		<u>(4,444)</u>
Operating loss (EBIT)		<u>(1,898)</u>
Financial items		<u>1,312</u>
Loss for the year		<u>(587)</u>
Other comprehensive income		<u>0</u>
Comprehensive income		<u><u>(587)</u></u>

Balance sheet at 31 December 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>
Equity investments	4	<u>99,030</u>
Investments		<u>99,030</u>
Fixed assets		<u>99,030</u>
Other short-term receivables		33
Prepayments		<u>115</u>
Receivables		<u>148</u>
Cash		<u>23,552</u>
Current assets		<u>23,700</u>
Assets		<u><u>122,730</u></u>

Balance sheet at 31 December 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>
Limited partnership capital	5	107,108
Retained earnings		<u>(587)</u>
Equity		<u>106,521</u>
Other payables	6	<u>16,209</u>
Current liabilities other than provisions		<u>16,209</u>
Liabilities other than provisions		<u>16,209</u>
Equity and liabilities		<u><u>122,730</u></u>

Statement of changes in equity for 2016

	Limited partnership capital DKK'000	Retained earnings DKK'000	Total DKK'000
Contribution from limited partners	107,108		107,108
Loss for the year		(587)	(587)
Equity end of year	107,108	(587)	106,521

Cash flow statement for 2016

	<u>Notes</u>	2016 DKK'000
Operating loss		(4,444)
Income from investments		(2,546)
Working capital changes	7	<u>16,061</u>
Cash flows from ordinary activities		<u>11,617</u>
Financial items		<u>1,312</u>
Cash flows from operating activities		<u>1,312</u>
Acquisition of equity investments	4	<u>(96,484)</u>
Cash flows from investing activities		<u>(96,484)</u>
Contribution from Limited Partners		<u>107,108</u>
Cash flows from financing activities		<u>107,108</u>
Increase/decrease in cash		23,552
Cash beginning of year		<u>-</u>
Cash end of year		<u><u>23,552</u></u>

Note overview

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Notes

1. Accounting policies

Reporting class

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

CI II US AIV QFPF K/S is a Limited Partnership based in Denmark.

This is the Fund's first financial year and comprise the period 13 June 2016 – 31 December 2016, and hence no comparative figures have been presented.

The financial statements are presented in Danish kroner (DKK), which is the functional currency of the Fund.

The financial statements are presented on the basis of historical cost, except for the equity investments, which are measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets.

Judgements made by the General Partner in the application of IFRSs that have had significant effects on the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

The principal accounting policies are set out overleaf.

Report on the omission of preparation of consolidated financial statements

CI II US AIV QFPF K/S has omitted to prepare consolidated financial statements under the provisions of IFRS 10 and IAS 27 as the Limited Partnership qualifies as an investment entity. The definition is as follows:

"An investment entity is defined as an entity which commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both".

In view of the circumstances described below, the General Partner believes that the Fund satisfies the definition of an investment entity:

- 1) The Fund has more than one investment.
- 2) The Fund has more than one investor, and its investors are not related parties. Please refer to the description in note 13 to the financial statements.
- 3) The Fund's investments in investments take the form of equity instruments or similar investments, and the Fund can also exit the investment, if relevant.

Notes

1. Accounting policies (continued)

Standards and Interpretations not yet in force

All the new and amended Standards and Interpretations which are relevant to the Fund and which came into force with effect for financial years beginning 1 January 2016 have been applied when preparing the financial statements.

At the date of the issue of these financial statements, a number of new or amended Standards and Interpretations, including IFRS 9 in particular, have not yet entered into force. The General Partner believes that they will not impact significantly on the financial statements for the coming financial years.

Significant accounting policies and estimates

As part of the preparation of the financial statements, the General Partner makes a number of accounting judgements which form the basis of presentation, recognition and measurement of the Fund's assets and liabilities. The most significant accounting judgements are evident from note 2 to the financial statements.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Fund, and the value of the asset can be measured reliably. Assets are derecognised in the balance sheet when it is no longer probable that future economic benefits will flow to the Fund.

Purchase and sale of financial assets and liabilities are recognised in the balance sheet at the commitment date.

Liabilities are recognised in the balance sheet when the Fund has a legal or constructive obligation as a result of an event before or on the balance sheet date, and it is probable that future economic benefits will flow out of the Fund, and the value of the liability can be measured reliably. Liabilities are derecognised in the balance sheet when it is no longer probable that economic benefits will have to be given up to settle the liability.

On initial recognition, assets and liabilities are measured at cost, however, investment assets are measured at fair value on initial recognition, typically equalling cost exclusive of directly incurred expenses (direct transaction costs). Measurement subsequent to initial recognition is effected as described below for each financial statement item. Allowance is made for events occurring from the balance sheet date to the date of presentation of the annual report, and which confirm or invalidate affairs and conditions existing at the balance sheet date.

Income is recognised in the statement of comprehensive income when earned, whereas costs are recognised by the amounts attributable to this financial year.

Notes

1. Accounting policies (continued)

Foreign currency translation

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements of the Fund are presented in the currency unit (DKK, Danish kroner), which is the Fund’s functional and presentation currency.

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Statement of comprehensive income

Revenue recognition

Dividend income is recognised when the Fund’s rights to receive the payments have been established, normally being the ex-dividend date.

Income from investments

Income from investments consists of unrealised fair value adjustments

Administrative expenses

All expenses are recognised in the statement of comprehensive income on the accrual basis.

Administrative expenses comprise expenses incurred during the financial year not directly related to the Fund’s investment activities.

General due diligence costs and general administration etc including management fees have been expensed by the amounts attributable to this financial year, whereas certain development costs have been capitalised in order to increase the value of the equity investments.

Financial income and expenses

Financial income and expenses comprise interest income and various expenses, and net capital gain/loss on transactions in foreign currencies.

Interest income and interest expenses are stated on an accruals basis using the principal interest rate.

Income taxes

Under current Danish law governing the Fund, it is not independently taxable because the Fund’s profit/loss for the year is included in the Limited Partner’s taxable income.

Notes

1. Accounting policies (continued)

Balance sheet

Investments

Financial assets and liabilities are recognised at fair value through profit and loss when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trading day when the Fund purchases or sells an investment under a contract whose terms require delivery of the investment within the time frame established by the market.

On initial recognition, equity investments are measured at fair value.

Financial assets and liabilities are derecognised when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Investments consist of equity investments in infrastructure companies (projects) and are measured, on initial recognition, at fair value, and subsequently measured at fair value with recognition of fair value adjustments through profit or loss.

The fair value is calculated equivalent to an estimated fair value that is determined based on market information, IPEV valuation guidelines and accepted valuation techniques, including benchmarking, DCF or other relevant method, which is considered to provide the best estimate of the fair value.

For further information about the measurement of fair values, please refer to note 10.

Other short-term receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Cash

Cash comprise cash in bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Notes

1. Accounting policies (continued)

Cash flow statement

The cash flow statement of the Fund is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Fund's cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items and working capital changes.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of investments.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, and payment of dividend.

Cash comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios		Calculation formula	Ratios reflect
Solvency ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The enterprise's financial strength.

Notes

2. Significant accounting estimates, assumptions and uncertainties

The Fund develops and invests in infrastructure assets (unlisted equity investments), the market price of which depends both on entity-specific affairs and market conditions, including to a certain extent power prices, commodity prices, exchange rates and construction risk within the different investments. The valuation and hence fair value of equity investments may also be affected by changes in the risk-free interest rate other than the general cost of risk in the market. As a result, income from investments, including the unrealised value adjustments and the fair value of investments are subject to estimation and uncertainty.

The methods applied in and the assumptions underlying the determination of the fair value in unlisted equity investments are described in note 10 to the financial statements.

3. Administrative expenses

The Fund has no employees.

According to Article 107 of the AIFM Directive, alternative investment funds must disclose information about the total remuneration of the entire staff of the Fund Manager and the number of beneficiaries. Furthermore, remuneration to material risk-takers must be disclosed. For information about remuneration, please refer to the annual report of the Fund Manager.

The Fund Manager must also disclose the information necessary to provide an understanding of the risk profile of the Fund and the measures that the Fund Manager takes to avoid or manage conflicts of interest between the Fund Manager and the Limited Partners. The Board of Directors has adopted a remuneration policy in order to ensure that the employees and Management are remunerated according to the Danish Executive Order on remuneration policy and disclosure requirements on remuneration for managers of alternative investment funds, etc.

Notes

3. Administrative expenses (continued)

The remuneration policy ensures, among other matters, that the following is applied in relation to remuneration at the Fund Manager:

- Promoting of sound and effective risk management, which does not encourage excessive risk-taking.
- Consistency with the principles regarding the protection of the Limited Partners and measures in order to avoid conflicts of interest.

Currently, the Fund Manager serves as fund manager for Copenhagen Infrastructure II K/S, CI II US AIV Non-QFPF K/S and CI II US AIV QFPF K/S.

No carried interest is paid out by the AIF during the financial period.

	Development projects DKK'000	Equity investments DKK'000
4. Investments		
Fair value 13.06.2016	-	-
Acquisition and development costs	57,319	39,165
Fair value adjustment	-	2,546
Fair value 31.12.2016	57,319	41,711

Projects are considered as development projects until final investment decision is made, and is comprising costs related to project rights, the design and development of the infrastructure investments.

Notes

5. Investments (continued)

<u>Investment</u>	<u>Corporate form</u>	<u>Registered in</u>	<u>Equity interest %</u>
Offshore Wind	LLC	United States	100
CI-II Bearkat QFPF	LLC	United States	100
CI-II Bearkat II QFPF	LLC	United States	100
CI-II Blue Cloud QFPF	LLC	United States	100
CI-II Mitchell QFPF	LLC	United States	100
CI II Fluvanna QFPF	LLC	United States	100
CI-II Bearkat III QFPF	LLC	United States	100

Consistently with the accounting policies, the Fund regularly adjusts the value of the investments to best estimate of fair value. This means that the proportionate share of profit or loss of the investments is not recognised in profit or loss of the Fund. Instead, the value adjustment of each investment's fair value is taken to profit or loss of Fund.

The methods applied by the Fund to measure investments are evident from note 10 to the financial statements.

In accordance with the requirements of IFRS 12, certain disclosures must be provided for an investment company's non-consolidated subsidiaries, and the following information is deemed relevant in this respect:

The Fund's investments are not classified as investment entities under IFRS 10 because they are all engaged in developing or owning infrastructure projects. There are no restrictions on the Fund's right to receive dividend from or have loans etc repaid by the investments, except that distributions from current operating activities of the equity investments must be made allowing for debt servicing by such companies. The Fund has not provided its investments with financial support during the financial year outside the contractual basis.

5. Limited partnership capital

The limited partnership capital has not been divided into classes.

Notes

2016
DKK'000

6. Other payables

Other payables	<u>16,209</u>
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The carrying amount of payables relates to Investments, legal fees, auditor's fees, travel costs etc. The amount recognised is equal to the fair value of the liabilities.

7. Working capital changes

Change in receivables	148
Change in payables	<u>(16,209)</u>
	<u>(16,061)</u>

8. Financial instruments

Categories of financial instruments:

Equity investments	<u>99,030</u>
Financial assets measured at fair value through profit or loss	<u>99,030</u>

Other short-term receivables	33
Prepayments	<u>115</u>
Receivables measured at amortised cost	<u>148</u>

Other payables	<u>16,209</u>
Financial liabilities measured at amortised cost	<u>16,209</u>

All financial liabilities are due for payment within 12 months.

Notes

9. Financial risk management

The General Partner is ultimately responsible for the overall risk management within the Fund, but has delegated the responsibility to the Fund Manager.

The Fund pursues an investment strategy approved by the Limited partners and invests in infrastructure projects.

The Fund's risk management processes includes identification, measurement, monitoring, reporting and mitigation of the identified risks to minimize the potential negative effects at fund level.

Key financial risk factors and exposure in regards to the financial statements as of 2016 can be categorised as follows:

Financial Risk Factors

Liquidity risks

	Less than 1 year DKK'000	Between 1 and 5 years DKK'000	After 5 years DKK'000	Total DKK'000
Other payables	16,209	0	0	16,209
31.12.2016	16,209	0	0	16,209

The cash position including bank facilities of the Fund is bigger than the payables.

The Fund has no guarantees or contingent liabilities.

This liquidity risk is currently related to the limited partners ability to contribute the remaining fund commitment. The liquidity risk is considered highly unlikely to materialise.

Credit risks

The Fund is not exposed to any significant credit risk as of 31 December 2016.

Interest rate risk

The Fund has no external debt as of the balance sheet date, and therefore no interest rate risk connected to the liabilities.

Currency risk

The Fund is denominated in DKK. However, all investments, including draw downs and distributions, are made in investment specific currencies. No hedging is made at fund level.

Notes

9. Financial risk management (continued)

Commodity and power prices

The Fund's market price exposure is limited as it is significant mitigated through fixed price agreements, hedges and capital structure protection. However, major changes in certain market prices may to some extent impact certain investments. Though, the overall market price exposure are considered as low.

When the Fund has an market price and/or commodity price exposure changes in such risk factors impact the fair value of the individual investment.

10. Financial instruments measured at fair value

The fair value of the investments are measured on a quarterly basis, or more frequent if significant changes occur.

The Fund Manager has implemented procedures and methodology to ensure that the valuation is carried out consistent over time and across investments.

Methods applied in and assumptions underlying the determination of fair values of investments

The fair value of each equity investment has been estimated by applying methods that best reflect the risks, and the stage of each investment.

In general, the fair value is determined in accordance with IPEV valuation guidelines and accepted valuation techniques, including DCF models, benchmarking or other relevant method.

Fair value hierarchy for financial instruments measured at fair value in the balance sheet

Below, financial instruments measured at fair value are classified using the fair value hierarchy:

- Quoted prices in active markets for identical instruments (Level 1)
- Quoted prices in active markets for similar assets or liabilities or other valuation methods under which all material inputs are based on observable market data (Level 2)
- Valuation techniques under which any material input are not based on observable market data (Level 3)

It is the Fund's policy to incorporate the classification of financial assets (changes/transfers between levels 1 and 3) in the financial statements if their classification changes during the financial year. There have not been any transfers between the levels during the financial year and all investments are classified as Level 3 investments.

Notes

10. Financial instruments measured at fair value (continued)

Material unobservable inputs for Level 3

Financial instruments measured at fair value in the balance sheet are based on valuation techniques that include material unobservable input for instance assumptions related to power prices, inflation rates, technical availability and discount rate. Due to the nature of the investments and that none of the investments are after COD (Commercial Operating Day) end of 2016 only a immaterial part of the valuation requires material unobservable inputs.

2016	Level 1 DKK'000	Level 2 DKK'000	Level 3 DKK'000	Total DKK'000
Equity investments	<u>0</u>	<u>0</u>	<u>99,030</u>	<u>99,030</u>
Financial assets measured at fair value through profit or loss	<u>0</u>	<u>0</u>	<u>99,030</u>	<u>99,030</u>

Sensitivity analysis

The fair value of the Fund's investments is affected by development in the applied discount rate and future earnings expectations for these investments. A decline or increase in the material unobservable inputs stated above and changes in macroeconomic conditions might have a direct effect on the valuation of the investments. Due to that no investments are after COD no sensitivity analysis have been made.

Please refer to note 4 for a specification of fair value investments.

Notes

11. Related parties

Related parties with a controlling interest

The Limited Partnership has no investors or related parties with a controlling interest.

2016
DKK'000

Related party transactions

The General Partner is receiving a fee for its liability towards CI II as per the article of association

Payment to the General Partner 0

Copenhagen Infrastructure Partners II P/S (the Fund Manager) are considered related parties of the Fund due to direct or indirect control and transactions

Management fee (6 months period) 4,123

There are no other key relationships, which are considered material for the financial statements.

12. Contingent liabilities

The Fund has no guarantees or contingent liabilities.

13. Investors

The Limited Partnership has registered the following Limited Partners as holding more than 5% of the voting rights or nominal value of the contributed capital:

PensionDanmark Pensionsforsikringsaktieselskab, Langelinie Allé 43, 2100 Copenhagen

Lægernes Pensionskasse, Dirch Passers Allé 76, 2000 Frederiksberg

Pensionskassen for Børne- og Ungdomspædagoger, Østerfælled Torv 3, 2100 Copenhagen

Juristernes og Økonomernes Pensionskasse, Dirch Passers Allé 76, 2000 Frederiksberg

Lærernes Pension, Forsikringsaktieselskab, Tuborg Boulevard 3, 2900 Hellerup

Danske Civil- og Akademiingeniørers Pensions-kasse, Dirch Passers Allé 76, 2000 Frederiksberg

Notes

14. Events after the balance sheet date

End of March 2017 CI II announced the Bearkat I investment, an onshore wind farm currently under construction, with a total expected capacity of 197.7 MW located in Glasscock County, Texas.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

15. Authorisation of the annual report for issue

At the meeting held on _____, the General Partner authorised this annual report for issue _____. The annual report will be submitted to the Limited Partnership's Limited Partners for adoption at the Annual General Meeting on _____.