

**CI II US AIV Non-QFPF K/S**  
**Nørregade 21**  
**1165 Copenhagen K**  
**Central Business Registration No**  
**37 78 94 10**

**Annual report 2019**

The Annual General Meeting adopted the annual report on

29/6-2020

**Chairman of the General Meeting**



Name: Morten Jensen

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## **Fund details**

### **Fund**

CI II US AIV Non-QFPF K/S

Nørregade 21

1165 Copenhagen K

Business Registration No: 37 78 94 10

Founded: 13.06.2016

Registered in: Copenhagen

Financial year: 1 January 2019 - 31 December 2019

Telephone: +45 70 70 51 51

Internet: [www.cipartners.dk](http://www.cipartners.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 the General Partner on the annual report

The General Partner has today considered and approved the annual report of CI II US AIV Non-QFPF K/S for the financial year 1 January 2019 – 31 December 2019.

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.

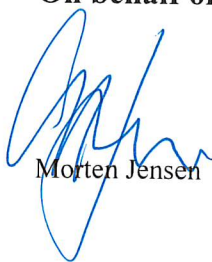
In our opinion, the financial statements give a true and fair view of the Limited Partnership's financial position at 31 December 2019 and of the results of its operations and the cash flows for the financial year 1 January 2019 – 31 December 2019.

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

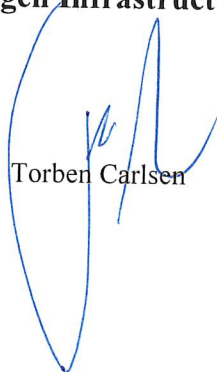
We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 04.06.2020

**On behalf of Copenhagen Infrastructure II GP ApS**



Morten Jensen



Torben Carlsen

## Independent auditor's report

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

#### Opinion

We have audited the financial statements of CI II US AIV Non-QFPF K/S for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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.

## **Independent auditor's report**

### **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 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 the General Partner'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.

## Independent auditor's report

### 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.

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, 04.06.2020

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56



Bitt Håudal Pedersen  
State-Authorised Public Accountant  
Identification No (MNE) mne30131



Michael Thorø Larsen  
State-Authorised Public Accountant  
Identification No (MNE) mne35823

## Management commentary

	2019	2018	2017	2016
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
<b>Financial highlights</b>				
<b>Key figures</b>				
Operating profit/(loss) (EBIT)	161,312	45,499	69,319	(2,067)
Profit/loss for the year	163,400	46,287	62,643	(305)
Equity	661,228	584,067	408,522	49,327
Assets total	774,752	605,823	428,255	74,160
<b>Ratios</b>				
Liquidity ratio (%)	117.44	588.93	379.77	114.94
Solvency ratio (%)	85.35	96.41	95.39	66.51
Return on equity (%)	26.24	9.33	27.36	(1.24)

### Primary activity

CI II US AIV Non-QFPF K/S (CI II) was established in June 2016 and is managed by Copenhagen Infrastructure Partners II P/S (CIP II P/S). The General Partner of CI II is Copenhagen Infrastructure II GP ApS. End of 2019, the Limited Partners had committed DKK 1,012m to CI II for infrastructure investments in North America.

### Investments

End of 2019, CI II has four investments, which have reached financial investment decision.

#### Bearkat

CI II has invested in the construction of a US onshore wind project, Bearkat I. The Bearkat I equity stake was fully divested to Terna DEN in September 2019.

#### Blue Cloud

CI II has invested in the construction of a US onshore wind project, Blue Cloud, an 148.4MW onshore wind project in Bailey and Lamb Counties, Texas. Blue Cloud reached COD in December 2018.

#### Bearkat II

CI II has invested in the construction of a US onshore wind project, Bearkat II, an 162.2MW onshore wind project in Glasscock County, Texas. Bearkat II is currently under construction.

#### Mitchell

CI II has invested in the construction of a US solar development portfolio in North Carolina, consisting of up to 22 individual sites with a total capacity of 136 MW(dc). Mitchell is currently under construction.



## **Management commentary (continued)**

### **Development in activities and finances**

Income from investments in 2019 amounts to DKK 167.5m.

Net Income for 2019 amounts to a profit of DKK 163.4m, which is in accordance with the expectations. The result reflects income from investments, partly offset by management fee and transaction costs expensed, during the period.

Limited Partners' paid-in capital to the Fund at the end of 2019 amounted to DKK 619m, equalling 61.2% of the committed capital of DKK 1,012m. Accumulated distributions to Limited Partners amounted to DKK 230m since fund initiation and accumulated net income end of 2019 amounted to DKK 272m. Hereafter total Limited Partners' capital end of 2019 amounted to DKK 661m.

### **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 may to a certain extent still 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 Fund Manager and 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 year 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;
- The number of shares in the Alternative Investment Fund, which, due to their illiquid nature, are subject to special measures;
- 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.

## **Management commentary (continued)**

### **Events after the balance sheet date**

The outbreak and spread of coronavirus (COVID-19) in 2020 has among others resulted in financial market declines from the end of February until the adoption of the Annual Report. This may have an adverse influence on the Fund's fair value of investments and earnings expectations for 2020. Due to the general uncertainty that currently exists associated with assessing the future impact of COVID-19, there is considerable uncertainty associated with the assessment of the fair values of the investment assets, but there is currently no need for further impairment of the investment portfolio.

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 depends on the results of the investments.

Expectations for the Limited Partnership are in general positive, but at the time of publication of the Annual Report, it is not possible to determine the scale of any adverse influence from the coronavirus.

Profit for 2020 is expected to be within DKK 70-110m.

## Statement of comprehensive income

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Interest income		15,802	288
Realised gains/(losses)		111,133	0
Net increase/(decrease) in unrealised gains/(losses) from financial assets and liabilities at fair value		26,247	32,885
Net foreign exchange gains/(losses)		<u>14,278</u>	<u>15,358</u>
<b>Operating income</b>		<b><u>167,460</u></b>	<b><u>48,531</u></b>
Administrative expenses	3	<u>(6,148)</u>	<u>(3,032)</u>
<b>Operating expenses</b>		<b><u>(6,148)</u></b>	<b><u>(3,032)</u></b>
<b>Operating profit/(loss) (EBIT)</b>		<b><u>161,312</u></b>	<b><u>45,499</u></b>
Financial income	4	6,696	3,200
Financial expenses	5	<u>(4,608)</u>	<u>(2,412)</u>
<b>Profit/(loss) for the year</b>		<b><u>163,400</u></b>	<b><u>46,287</u></b>
<b>Other comprehensive income</b>		<u>0</u>	<u>0</u>
<b>Comprehensive income</b>		<b><u><u>163,400</u></u></b>	<b><u><u>46,287</u></u></b>

**Balance sheet at 31 December 2019**

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Equity investments	6	363,246	342,689
Receivables from investments	6	<u>278,180</u>	<u>135,005</u>
<b>Investments</b>		<u><b>641,426</b></u>	<u><b>477,694</b></u>
<b>Fixed assets</b>		<u><b>641,426</b></u>	<u><b>477,694</b></u>
Other short-term receivables		<u>105,362</u>	<u>38,882</u>
<b>Receivables</b>		<u><b>105,362</b></u>	<u><b>38,882</b></u>
<b>Cash</b>		<u><b>27,964</b></u>	<u><b>89,247</b></u>
<b>Current assets</b>		<u><b>133,326</b></u>	<u><b>128,129</b></u>
<b>Assets</b>		<u><u><b>774,752</b></u></u>	<u><u><b>605,823</b></u></u>

**Balance sheet at 31 December 2019**

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Limited partnership capital	7	618,755	527,566
Retained earnings		42,473	56,501
<b>Equity</b>		<u><b>661,228</b></u>	<u><b>584,067</b></u>
Other payables	8	113,524	21,756
<b>Current liabilities other than provisions</b>		<u><b>113,524</b></u>	<u><b>21,756</b></u>
<b>Liabilities other than provisions</b>		<u><b>113,524</b></u>	<u><b>21,756</b></u>
<b>Equity and liabilities</b>		<u><u><b>774,752</b></u></u>	<u><u><b>605,823</b></u></u>

## Statement of changes in equity

	<b>Limited partnership capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity at 1 January 2019	527,566	56,501	584,067
Contribution from Limited Partners	91,189	-	91,189
Distribution to Limited Partners	-	(177,428)	(177,428)
Profit/(loss) for the year	-	163,400	163,400
<b>Equity at 31 December 2019</b>	<b>618,755</b>	<b>42,473</b>	<b>661,228</b>

	<b>Limited partnership capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity at 1 January 2018	346,184	62,338	408,522
Contribution from Limited Partners	181,382	-	181,382
Distribution to Limited Partners	-	(52,224)	(52,224)
Profit/(loss) for the year	-	46,387	46,387
<b>Equity at 31 December 2018</b>	<b>527,566</b>	<b>56,501</b>	<b>584,067</b>

The investors have committed themselves to contributing up to DKK 1,012m to the Fund. At 31 December 2019, the investors have contributed a net amount of DKK 619m out of the combined contribution commitment, causing the balance commitment to stand at DKK 393m.

**Cash flow statement for 2019**

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/(loss)		161,312	45,499
Income from investments		(167,460)	(48,531)
Working capital changes	9	<u>24,703</u>	<u>5,300</u>
<b>Cash flows from ordinary activities</b>		<u><b>18,555</b></u>	<u><b>2,268</b></u>
Financial income	4	6,696	3,200
Financial expenses	5	<u>(4,608)</u>	<u>(2,412)</u>
<b>Cash flows from operating activities</b>		<u><b>2,088</b></u>	<u><b>788</b></u>
Acquisition of equity investments	6	(161,049)	(135,372)
Increase of receivables from investments	6	(131,827)	(135,109)
Distributions from equity investments	6	289,167	194,633
Distributions from receivables from investments	6	<u>8,122</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<u><b>4,413</b></u>	<u><b>(75,848)</b></u>
Contribution from Limited Partners		91,189	181,382
Distributions to Limited Partners		<u>(177,528)</u>	<u>(52,224)</u>
<b>Cash flows from financing activities</b>		<u><b>(86,339)</b></u>	<u><b>129,158</b></u>
<b>Increase/decrease in cash</b>		<b>(61,283)</b>	<b>56,366</b>
Cash beginning of year		<u>89,247</u>	<u>32,881</u>
<b>Cash end of year</b>		<u><b>27,964</b></u>	<u><b>89,247</b></u>

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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 governing reporting class B enterprises with certain provisions from class C.

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

The accounting policies applied to these financial statements are consistent with those applied last year.

The Fund's investments are investments in portfolio companies and therefore not subject to IFRS 9. The Fund has no other material assets or liabilities subject to IFRS 9. Income of the Fund primarily consists of increases in the value of investments, and the Fund does not have any significant contracts subject to IFRS 15.

The Fund has not entered into any significant leases falling within IFRS 16.

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 investments and receivables from 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.

#### Defining materiality

If a line item is not individually material, it is aggregated with other items and notes of a similar nature in the financial statements or in the notes. There are substantial disclosure requirements throughout IFRS. The General Partner provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

The most significant accounting policies are set out overleaf.

## Notes

### 1. Accounting policies (continued)

#### Report on the omission of preparation of consolidated financial statements

CI II US AIV Non-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 take the form of equity instruments or similar investments, and the Fund can also exit the investment, if relevant.

#### Standards and Interpretations not yet in force

All of 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 2019 have been applied when preparing the financial statements.

The General Partner further believes that other amended Standards and Interpretations, which have not entered into force, will not have any significant impact on the financial statements, and they will not be adopted early.

#### Significant accounting policies and estimates

As part of the preparation of the financial statements, the Fund Manager and 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.

## Notes

### 1. Accounting policies (continued)

#### 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.

#### 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 rate 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.

## Notes

### 1. Accounting policies (continued)

#### 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.

Interest on receivables from investments at fair value through profit or loss is accrued on a time-proportionate basis, by reference to the principal receivables from investments and at the effective interest rate applicable. The interest is calculated based on the net carrying amount on initial recognition.

##### Income from receivables and investments

Income from receivables and investments consists of unrealised fair value adjustments, dividends, accrued interest and profit or loss from the disposal of portfolio investments.

Income realised from the disposal of investments is calculated as the difference between net selling price and the fair value at the beginning of the financial year.

##### 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 or receivables from investments.

##### Financial income and expenses

Financial income and expenses comprise interest income and various expenses, and net exchange rate adjustments 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 and receivables from 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 and receivables from 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 and receivables from investments consist of loans and shareholder loans. Furthermore, investments consist of capitalised development costs, which increase the fair value of the investments. On initial recognition, both types of investment are measured 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 generally accepted valuation techniques, including benchmarking, DCF or other relevant methods, which are considered to provide the best estimate of the fair value.

For further information about the measurement of fair values, please refer to note 12.

##### Other short-term receivables

Receivables are measured at amortised cost, usually equalling nominal value. The value is reduced by write-downs for expected losses based on generally accepted models under IFRS 9, including the Company's historical experience in credit losses etc.

##### Cash

Cash comprise cash in bank deposits.

##### Other financial liabilities

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

##### 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.

## Notes

### 1. Accounting policies (continued)

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 payment of distributions to the Limited Partners.

Cash comprises cash and short-term securities with an insignificant price risk less short-term bank loans.

### Financial highlights

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

Ratios		Calculation formula	Ratios reflect
Liquidity ratio (%)	=	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$	The entity's financial strength.
Solvency ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The entity's financial strength.
Return on equity (%)	=	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$	The entity's profitability.

### 2. Significant accounting estimates, assumptions and uncertainties

The Fund develops and invests in infrastructure assets (unlisted equity investments and receivables), the market price of which depends both on entity-specific affairs and market conditions, including power prices, commodity prices, exchange rates and construction risk within the different investments. Furthermore, the valuation and hence fair value of the long-term receivables are affected by changes in the risk-free interest rate and the general cost of risk in the market. As a result, income from investments, including the unrealised value adjustments, accrued interest and the fair value of investments are subject to estimation and uncertainty. For further information about the financial risks related to the investments, please refer to note 11.

## Notes

### 2. Significant accounting estimates, assumptions and uncertainties (continued)

This uncertainty may be higher during periods of high volatility in the financial markets, and economic trends affect earnings of the underlying companies as well. Furthermore, the uncertainty is affected by the construction risk within the different investments, and also the uncertainty related to the construction of the projects taking place within relevant time frames or milestones.

The methods applied and the assumptions underlying the determination of the fair value in unlisted equity investments and receivables are described in note 12 to the financial statements.

### 3. Administrative expenses

The Fund has no employees.

Administrative expenses include management fee and investment advisory fee for the period to Copenhagen Infrastructure Partners II P/S, in accordance with the Limited Partnership Agreement and management agreement. For further information about management fee and investment advisory fee, please refer to note 13.

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.

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.

## Notes

### 3. Administrative expenses (continued)

In accordance with section 61 (5 and 6) of the Alternative Investment Fund Managers etc. Act, information regarding salaries paid to employees of the investment manager is disclosed in the Annual Report for 2019 for Copenhagen Infrastructure Partners II P/S, Business Reg. No. 35 68 27 75.

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

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>4. Financial income</b>		
Foreign exchange gains	6,032	2,780
Interest income from assets not measured at fair value through profit or loss	664	420
<b>Financial income</b>	<b>6,696</b>	<b>3,200</b>
<b>5. Financial expenses</b>		
Other interest, foreign exchange loss etc	(4,600)	(2,405)
General Partner Fee	(8)	(7)
<b>Interest expenses for financial liabilities</b>	<b>(4,608)</b>	<b>(2,412)</b>

	<b>Capitalised development projects before FID*</b> <b>DKK'000</b>	<b>Investments</b> <b>DKK'000</b>	<b>Receivables from investments</b> <b>DKK'000</b>
<b>6. Investments</b>			
Fair value at 31 December 2018	9,980	332,709	135,005
Acquisitions and development costs (net)	38,951	122,098	131,827
Distributions	-	(289,166)	(8,122)
Value adjustment	93,367	55,307	19,470
<b>Fair value at 31 December 2019</b>	<b>142,298</b>	<b>220,948</b>	<b>278,180</b>



## Notes

### 6. Investments (continued)

	<b>Capitalised development projects before FID* DKK'000</b>	<b>Investments DKK'000</b>	<b>Receivables from investments DKK'000</b>
<b>Investments</b>			
Fair value at 31 December 2017	61,733	291,581	-
Acquisitions and development costs (net)	(51,931)	187,303	135,109
Distributions	-	(194,633)	-
Value adjustment	178	48,458	(104)
<b>Fair value at 31 December 2018</b>	<b>9,980</b>	<b>332,709</b>	<b>135,005</b>

\*Development projects before FID comprise capitalised costs related to the design and development of the infrastructure investments, increasing project value, and/or where equity and loan commitment has not been fully settled, but where the investment committee has initiated and approved the development of project based on a detailed business case. It is considered that it gives the most true and fair picture to capitalise these costs, so that the accounting treatment does not depend on the order in which the projects are capitalised.

<b>Investment</b>	<b>Corporate form</b>	<b>Registered in</b>	<b>Equity interest %</b>	<b>Profit/(loss) DKK'000</b>	<b>Equity DKK'000</b>
CI-II Bearkat II Non-QFPF	Inc.	United States	100.00	-	-
CI-II Blue Cloud - Non-QFPF	Inc.	United States	100.00	-	-
CI-II Mitchell Non-QFPF	Inc.	United States	100.00	-	-
CI II Fluvanna Non-QFPF	Inc.	United States	100.00	-	-
CI II Alice Non-QFPF	Inc.	United States	100.00	-	-
CI US ServiceCo	Inc.	United States	15.81	-	-

No values in equity and profit/loss have been stated for entities for which no audited financial disclosures are available.

Consistently with the accounting policies, the Fund regularly adjusts the value of the investments to the best estimate of fair value. This means that the proportionate share of operating profit or loss for the Companies is not recognised in profit or loss of the Fund, but rather a fair value adjustment of the investment.

The methods applied by the Fund to measure investments are evident from note 12 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:

## Notes

### 6. Investments (continued)

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.

### 7. Limited partnership capital

The limited partnership capital has not been divided into classes.

	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
<b>8. Other payables</b>		
Other payables	113,524	21,756

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.

Other payables fall due for payment within 12 months.

	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
<b>9. Working capital changes</b>		
Change in receivables	(17,066)	3,177
Change in payables	41,769	2,123
	<u>24,703</u>	<u>5,300</u>

### 10. Financial instruments

Categories of financial instruments:

Investments	363,246	342,689
Receivables from investments	278,180	135,005
<b>Financial assets measured at fair value through profit or loss</b>	<u>641,246</u>	<u>447,694</u>
Other short-term receivables	105,362	38,882
<b>Receivables</b>	<u>105,362</u>	<u>38,882</u>
Other payables	113,524	21,756
<b>Financial liabilities measured at amortised cost</b>	<u>113,524</u>	<u>21,756</u>

All financial liabilities are due for payment within 12 months.

## Notes

### 11. 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 minimise the potential negative effects at fund level.

Key financial risk factors and exposure regarding the financial statements for 2019 can be categorised as follows:

#### Financial risk factors

##### *Liquidity risks*

	<b>Less than 1 year DKK'000</b>	<b>Between 1 and 5 years DKK'000</b>	<b>After 5 years DKK'000</b>	<b>Total DKK'000</b>
Other payables	113,524	0	0	113,524
<b>31 December 2019</b>	<b>113,524</b>	<b>0</b>	<b>0</b>	<b>113,524</b>

	<b>Less than 1 year DKK'000</b>	<b>Between 1 and 5 years DKK'000</b>	<b>After 5 years DKK'000</b>	<b>Total DKK'000</b>
Other payables	21,756	0	0	21,756
<b>31 December 2018</b>	<b>21,756</b>	<b>0</b>	<b>0</b>	<b>21,756</b>

The current assets of the Fund exceed payables.

The Fund has no contingent liabilities, but has an outstanding investment commitment of USD 26m. Furthermore, the Fund has provided guarantees of USD 15m for the investments.

The liquidity risk is considered insignificant. No indication of the Limited Partners' inability to contribute the remaining fund commitment exists.

##### *Credit risks*

Credit risk relates to the risk of non-performing receivables and impairment of the Fund's loans provided to the infrastructure projects.

## Notes

### **11. Financial risk management (continued)**

The maximum credit risk related to receivables equals the carrying amount. There is no indication of non-performing receivables at the balance sheet date.

Likewise, there is no impairment of receivables e.g. at the balance sheet date as it is assessed that the debtors will fulfil the individual facility agreements. A part of the investment projects to which the Fund has provided loans are currently under construction. The construction phases progress as planned and no significant delays in completion are currently expected.

The Fund is not exposed to any significant credit risk from a single counterparty at 31 December 2019.

#### ***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 cash flows, including draw downs and distributions, take place in investment-specific currencies. Consequently, the Limited Partners are not exposed to currency risk through the Fund. No hedging is made at fund level.

#### ***Commodity and power prices***

The Fund's indirect power price exposure is mitigated via power price agreements and/or instruments in the project's capital structure. The Fund's indirect outright power price exposure are considered as low.

When the Fund has an indirect outright power price and commodity price exposure changes in such risk factors impact the fair value of the individual investment.

### **12. 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 consistently over time and across investments.

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

The fair value of each investment and receivables from investments has been estimated by applying methods that best reflect the risks, and the stage of each investment, e.g. assumptions related to power prices, inflation rates, technical availability and discount rate.

## Notes

### 12. Financial instruments measured at fair value (continued)

In general, the fair value is determined in accordance with IPEV Valuation Guidelines and generally accepted valuation techniques, including DCF models, benchmarking or other relevant methods. However, for projects which are before financial close, cost, including capitalised development costs, is considered the best estimate for fair value. The valuation approach incorporates all of the factors that market participants would take into account in pricing a transaction, such as cash flows, discount rates and yield curves assumptions.

The valuation of equity investments and receivables from investments are based on the same methods, as equity investments and receivables from investments are exposed to the same risks.

#### 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.

#### 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 inputs. Material unobservable inputs mean in this context that the valuation is dependent on a return requirement that contains a number of components that cannot be observed on trading markets, for example project-specific risks and illiquidity prices.

2019	<u>Level 1</u> <u>DKK'000</u>	<u>Level 2</u> <u>DKK'000</u>	<u>Level 3</u> <u>DKK'000</u>	<u>Total</u> <u>DKK'000</u>
Unlisted shares, equity investments	0	0	363,246	<b>363,246</b>
Receivables from investments	0	0	278,180	<b>278,180</b>
<b>Financial assets measured at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>641,426</b>	<b>641,426</b>

## Notes

### 12. Financial instruments measured at fair value (continued)

2018	<u>Level 1</u> <u>DKK'000</u>	<u>Level 2</u> <u>DKK'000</u>	<u>Level 3</u> <u>DKK'000</u>	<u>Total</u> <u>DKK'000</u>
Unlisted shares, equity investments	0	0	342,689	<b>342,689</b>
Receivables from investments	0	0	135,005	<b>135,005</b>
<b>Financial assets measured at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>477,694</b>	<b>477,694</b>

The discount rate used for value investments and receivables from investments after COD is considered the most material unobservable input, and the applied range for the discount rate is between 7-10 % (2018: 7-11 %).

#### 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 an direct effect on the valuation of the investments.

If the discount rates for investments are increased by 1 percentage point, the fair value of the investments will be reduced by approximately DKK 40-55m, which will reduce the NAV of the Fund with the same amount.

A reduction by 1 percentage point will increase the fair value of the investments by approximately DKK 45-60m, and also have the same effect on the NAV of the Fund. Due to the nature of the investments the effects are subject to some uncertainty, as other factors can in some scenarios have a reverse effect. No sensitivity analyses have been made for investments under construction.

The applied discount rate is considered the most material unobservable input due to the nature of the investments.

Please refer to note 6 for a specification of fair value investments.

## Notes

### 13. Related parties

#### Related parties with a controlling interest

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

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>Related party transactions</b>		
The General Partner receives a fee for its liability towards CI II as per the Articles of Association		
<b>Payment to the General Partner</b>	<u>8</u>	<u>7</u>
Copenhagen Infrastructure Partners II P/S (the Fund Manager) is considered a related party of the Fund due to direct or indirect control and transactions		
<b>Management fee</b>	<u>3,495</u>	<u>3,450</u>

#### Receivables from investments

Loans have been granted on market terms, which are expected to be settled by future cash payments. The Fund has no guarantees or similar collateral in connection with loans. As shown in note 6, loans are only provided to entities in which the Fund holds the majority of shares.

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
Committed loan capital	569,528	135,109
Contributions	<u>245,990</u>	<u>135,109</u>
<b>Outstanding commitment</b>	<u>323,538</u>	<u>0</u>

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

### 14. Contingent liabilities

The Fund has no contingent liabilities, but has an outstanding investment commitment of USD 26m. Furthermore, the Fund has provided guarantees of USD 15m for the investments.

## Notes

### 15. 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:

Kommunal Landspensjonskasse Gjensidig Forsikringsselskap, Dronning Eufemias Gate 10, 0191 Oslo

European Investment Bank, Boulevard Konrad Adenauer 98-100, L-2950 Luxembourg

PFA Pension, Forsikringsaktieselskab, Sundkrogsgade 4, 2100 Copenhagen

Kapitalforeningen Nykredit Alpha afdeling Alternativer, Kalvebod Brygge 1, 1560 Copenhagen

Velliv, Pension & Livsforsikring A/S, Lautrupvang 10, 2750 Ballerup

Danica Pension, Livsforsikringsaktieselskab, Holmens Kanal 2-12, 1060 Copenhagen

### 16. Events after the balance sheet date

The outbreak and spread of coronavirus (COVID-19) in 2020 has among others resulted in financial market declines from the end of February until the adoption of the Annual Report. This may have an adverse influence on the Fund's fair value of investments and earnings expectations for 2020. Due to the general uncertainty that currently exists associated with assessing the future impact of COVID-19, there is considerable uncertainty associated with the assessment of the fair values of the investment assets, but there is currently no need for further impairment of the investment portfolio.

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

### 17. Authorisation of the annual report for issue

At the meeting held on 4 June 2020 the General Partner authorised this annual report for issue on 29/6-2020.

The annual report will be submitted to the Limited Partnership's Limited Partners for adoption at the Annual General Meeting on 29/6-2020.