Mare Baltic PCC Limited
Interim report

Announcement of results for the period 1 January to 30 June 2010 (Unaudited)

Index to the financial statements

Directors:	Keith Betts Wayne Bulpitt Michelle Brouard David Gough
Secretary:	Newhaven Secretaries (Channel Islands) Limited
Auditors:	KPMG Channel Islands Limited Chartered Accountants 20 New Street St. Peter Port Guernsey GY1 4AN
Registered office:	One Lefebvre Street St Peter Port Guernsey GY1 4JE

Directors' report

The directors submit their interim report and the financial statements for the reporting period ended 30 June 2010 (unaudited).

Incorporation

The Company was registered in Guernsey, Channel Islands on 31 January 2003.

Activities

The principal activity of the company is the issue of notes and investing in subordinated loans. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the Company, is intended for sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The Company's notes are listed on the OMX Nordic Exchange Copenhagen.

The first cell, Cell – 1 2003 (ScandiNotes® I), was based on subordinated capital for Danish banks, launched the first issue under the Mare Baltic PCC Limited programme on July 4th, 2003. The issue was divided into two tranches a junior tranche of DKK 45,681,000 (approx. 10% of the issue) and a senior tranche of DKK 388,448,000 (approx. 90% of the issue). This issue was redeemed according to plan in June 2008. The cell was liquidated in August 2009.

The second cell, Cell – 1 2004 (ScandiNotes® II), likewise based on subordinated capital for Danish banks, was launched November 1st, 2004 under the Mare Baltic PCC Limited programme. This issue was like ScandiNotes® I divided into two tranches, a junior tranche of DKK 133,600,000 (approx. 15% of the issue) and a senior tranche of DKK 728,375,000 (approx. 85% of the issue). The senior tranche was rated by Moody’s and originally achieved an “A2” long-term rating. The current rating of the ScandiNotes® II senior tranche is B2. On the first possible redemption date for participating banks in ScandiNotes® II all banks but two (Østjydsk Bank and Amagerbanken) decided to exercise their option to redeem their term loan. As a consequence hereof, the redemption on November 1, 2009 amounted to DKK 575,700,000 equaling 79% of the senior tranche (ISIN DK0003454742) at par. The amount derives from the underlying swap and the redeemed loans. The senior tranche after November 1, 2009 has a nominal amount of DKK 152,675,000. This nominal amount is serviced by underlying loans amounting to DKK 135,000,000. The Notes will after November 1, 2009 pay floating interest on a semi-annual basis, on May 1 and November 1 each year, according to the prospectus. The interest rate will be fixed 2 bank days prior to each interest period.

The third cell, Cell – 1 2005 (ScandiNotes® III), was as with ScandiNotes® I and ScandiNotes® II based on subordinated debt for financial institutions, but for this issue a wider geographical mix of subordinated loans from Nordic Institutions was purchased. The Issue was launched on November 1st, 2005. This Issue was divided into three tranches, a junior tranche of DKK 279,050,000, a mezzanine tranche of DKK 413,370,000 and a senior tranche of EUR 201,600,000. The mezzanine tranche was originally rated Baa2 by Moody’s and the senior tranche was originally rated Aa2 by Moody’s. The current rating of the ScandiNotes® III mezzanine tranche is C and of the ScandiNotes® III senior tranche is Caa3.

Directors' report (continued)
Activities (continued)

The fourth cell, Cell – 1 2006, (ScandiNotes® IV), was like the first and the second cell based on subordinated capital for Danish Banks. The issue was launched November 17th, 2006. Like ScandiNotes® III the issue was divided into three tranches, a junior tranche of DKK 300,135,000, a mezzanine tranche of DKK 879,571,000 and a senior tranche of EUR 170,011,000. The mezzanine tranche was originally rated Baa2 by Moody's and the senior tranche was originally rated AAA by Moody's. The current rating of the ScandiNotes® IV mezzanine tranche is Ca and of the ScandiNotes® IV senior tranche Ba3.

All cash flows are ring fenced by swaps, so surplus cash flows from loans versus coupon payments are expected to be sufficient to cover all expenses and create a steady income. This applies to all remaining cells.

For all cells the notes were sold immediately to HSH Nordbank AG, Copenhagen Branch, with the purpose of on-selling into the capital markets to eligible professional investors.

The international crisis on the financial markets deepened during 2008. Following the default of Lehman Brothers in September 2008, large uncertainty spread across the financial industry. The uncertainty led to a further substantial reluctance in the interbank market and many banks found themselves in severe liquidity distress. The struggle for liquidity also impacted the Danish financial industry and forced the sector to consolidate. Unfortunately there have, as a consequence of the crises, also been a number of events and defaults in the ScandiNotes' subordinated loan portfolio. These events and defaults are further outlined below.

Compared to 2008 the financial markets have stabilized in some degree and the credits spreads have overall also tightened during 2009, which have had a positive effect on the fair value of the notes and loans receivables.

Protected Cell Company

The Company is a Protected Cell Company in accordance with the provision of the Protected Cell Companies Ordinance 1997 as amended. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and any other assets attributable to the cell. The non cellular assets comprise the assets of the Company, which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, the cellular assets attributable to that cell should be liable and the liability shall not be a liability of assets attributable to any other cell or of the non-cellular assets unless the Company has entered into a recourse agreement.

Directors' report (continued)

Events and defaults affecting the asset portfolio

SparTrelleborg was taken over by Sydbank in March 2008.

Vestjysk Bank took over Bonusbanken in September 2008 and merged with Ringkjøbing bank in December 2008. The continuing entity is called VestjyskBANK.

Forstædernes Bank was acquired by Nykredit Realkredit in October 2008.

In November 2008, Sandsvaer Sparebank and Sparebank1 Vestfold merged to form Sparebank1 Buskerud-Vestfold.

Roskilde Bank made a sales agreement on 24 August 2008 with the Danish Central Bank and the Private Contingency Association to transfer all assets, including loan portfolio, name, etc. and all debts and other liabilities except for equity, hybrid core capital and subordinated loan capital. The former Roskilde Bank changed name to "Selskabet af 1. September 2008 A/S". The latter filed for bankruptcy on 3 March 2009 and shares were delisted on 5 March 2009.

EBH Bank failed to meet the solvency requirement and as a consequence made an agreement with The Financial Stability Company, Finansiel Stabilitet A/S, a newly established Danish state owned company under the Act on Financial Stability with the purpose of securing financial stability in Denmark. All assets and liabilities except for equity and subordinated capital were transferred to "Finansiel Stabilitet A/S". The company left behind no longer exists as the Danish authorities have dissolved it (compulsory dissolution) due to lack of management in the company. It is therefore unlikely that recoveries can be achieved on the respective term loans.

In March 2009 the Icelandic Financial Supervisory Authority (FME) decided to assume the powers of the Reykjavik Savings Bank's (Spron) at the shareholders meeting - the Board of Directors were dismissed immediately. The FME appointed a Resolution Committee which took the authority of the Board of Directors, including all management of Spron's assets. Furthermore, the FME made a decision on the disposal of assets and liabilities of Spron. New Kaupthing Bank hf. will take over the bank's obligations according to this decision. Spron's shares have been delisted from Nasdaq OMX Iceland. On 3 June 2010 a creditors meeting was held by the Winding-up Board of Spron. Mare Baltic's claim was acknowledged as a subordinate claim according to Art. 114 of the Act on Bankruptcy etc., no. 21/1991. The Winding-up Board is, according to Art. 119 of the Act on Bankruptcy etc., no. 21/1991, not required to take a stand with respect to a claim "if it can be regarded as certain that nothing will be paid towards it upon distribution". With reference to Art. 119, the Winding-up Board will not take a stand on subordinate claims according to Art. 114 of the Act on Bankruptcy etc., no. 21/1991 as it is clear that no amount will be retrieved towards subordinate claims in the distribution of assets towards claims lodged against Spron. Therefore, according to this decision taken by the Winding-up Board, Mare Baltic's claim will not be retrieved.

Directors' report (continued)

In March 2009 Sparisjodabanki Islands was granted a moratorium by the Icelandic Financial Supervisory Authority (FME) on payments until 15 June 2009 to give the bank time to reorganise its finances. This moratorium was extended to 15 December 2009. The FME in Cooperation with the Central Bank of Iceland claimed serious lack of liquidity and ongoing equity problems which constitute extreme circumstances as defined by Art. 100a, par. 3 of the Act on Financial Undertakings. Icebank has also changed its name to "Sparisjodabanki Islands hf".

Fionia Bank has signed an agreement with Finansiel Stabilitet A/S and as a consequence all assets and liabilities except equity and subordinated capital have been transferred to a new company controlled by Finansiel Stabilitet A/S. Equity and subordinated capital will stay in the former company which has been renamed "Fionia Holding". Fionia Holding will as a result not be able to pay interest or principal on their subordinated loans in ScandiNotes II, III and IV.

On April 23, 2009 Moody's Investors Service downgraded the long-term debt and deposit ratings of HSH Nordbank AG (HSH) to A2 from A1. This downgrade made it necessary in accordance with the transaction documentation to replace HSH Nordbank in the functions as Account Bank, VP Agent (ScandiNotes® II-IV) and Custodian in relation to pledged collateral by a bank (ScandiNotes® III and IV) with the required A1/P1 rating. In consultation with the Trustee, Nordea Bank Danmark A/S (NBD) was selected and arrangements made for them to be appointed Account Bank, VP Agent and Custodian in respect of the Series 2005-1 Cell (ScandiNotes III) and Series 2006-1 Cell (ScandiNotes IV). Appropriate Novation Agreements, revisions to Pledge Agreements and Collateral Pledge Agreements were duly executed.

Certain events after the balance sheet date are disclosed in note 13 to the financial statements.

Portfolio losses outlined

ScandiNotes II

Due to the RA events there will be a shortfall in the cash-flow required by the issuer to service payments due under the Notes. Thus, the interest rate hedging agreement has been terminated in part and the Class B swap under the interest rate hedging agreement has been reset to reflect the loss of cash-flow.

Effects on the junior tranche

Due to the RA events no cash flow is available for the junior tranche. The loss for the junior Note holders is thus, subject to any potential recoveries from the above mentioned banks, 100% of the investment.

Effects on the senior tranche

The net result for the senior tranche is that the amounts payable to the issuer on each payment date under the Class A Swap have been reduced from 3% per annum on a notional amount of DKK 728,375,000 to 3% per annum on a notional amount of DKK 710,700,000; and the amount payable to the Issuer on the termination date of the Class A Swap has been reduced from DKK 133,600,000 to DKK 0. The loss for the senior Note holders is thus, subject to any potential recoveries from the above mentioned bank, 2.43% of the investment.

Directors' report (continued)

<u>ScandiNotes IV</u>

Due to the RA events of, there will be a shortfall in the cash-flow required by the issuer to service payments due under the notes. Thus, the interest rate hedging agreement has been terminated in part and the Class C Swap and the Class B Swap under the interest rate hedging agreement have been reset to reflect the loss of cash-flow from the above mentioned banks.

Effects on the junior tranche

Due to the RA events no cash flow is available for the junior tranche. The loss for the junior note holders is thus, subject to any potential recoveries from the above mentioned banks, 100% of the investment.

Effects on the mezzanine tranche

The principal of the Class B Notes has been reduced from an original notional amount of DKK 879,571,000 to DKK 727,400,000, being the amount on which the issuer expects an ongoing rate of interest equal to 3 per cent. per annum. The reduction in principal will be shared on a pro-rata basis by the Class B note holders. This means that there has been a reduction of interest and principal on the Class B Notes of 17.30 per cent. The loss for the mezzanine note holders is thus, subject to any potential recoveries from the above mentioned banks, 17.30% of the investment.

Directors' report (continued)

Results and dividends

Administrator

The administrator of Mare Baltic PCC Limited is Newhaven Trust Company (Channel Islands) Limited.

The company's registered office is at One Lefebvre Street, St. Peter Port, Guernsey, GY1 4JE.

The Company Secretary is Newhaven Secretaries (Channel Islands) Limited.

Trustees

The Law Debenture Trust Corporation plc
100 Wood Street
London
EC2V 7EX

Directors

The directors who held office during the year and subsequently were:

Keith Betts
Michelle Brouard
Wayne Bulpitt
David Gough

Mare Baltic PCC Limited
Interim report

Financial statements
1 January to 30 June 2010
(Unaudited)

Directors' report

Guernsey Company Law

The directors have prepared the Directors' report and the financial statements in accordance with The Companies (Guernsey) Law, 2008.

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and are in accordance with applicable laws. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The retiring auditors are KPMG Channel Islands Limited who is eligible for re-appointment.

By order of the Board

Keith Betts	**David Gough**
Director	*Director*

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – All cells aggregated (unaudited)

	Note	As at 30.06.10	As at 31.12.09	As at 30.06.09
ASSETS				
Non-current assets				
Loans receivable		396,420	413,620	363,456
Swaps	4	26,015	22,036	28,376
Total non-current assets		**422,436**	**435,656**	**391,832**
Current assets				
Interest receivable	5	4,127	2,703	7,749
Other receivable		26	23	18
Cash and cash equivalents	6	1,651	1,631	1,470
Total current assets		**5,804**	**4,357**	**9,237**
Total assets		**428,240**	**440,013**	**401,069**
EQUITY				
Called up share capital	7	13	13	14
Retained earnings		1,468	1,229	1,319
Total equity		**1,481**	**1,242**	**1,333**
LIABILITIES				
Non-current liabilities				
Notes issued	8	420,920	433,876	389,408
Swaps	4	1,515	1,779	2,519
Total non-current liabilities		**422,435**	**435,655**	**391,927**
Current liabilities				
Creditors		75	269	279
Accrued interest	9	4,249	2,847	7,530
Total current liabilities		**4,324**	**3,116**	**7,809**
Total liabilities		**426,757**	**438,771**	**399,736**
Total equity and liabilities		**428,240**	**440,013**	**401,069**

The financial statements on page 12-60 were approved by the Board of Directors on ___________ and were signed on its behalf by:

_____________________________ _____________________________

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Income statement - All cells aggregated (unaudited)

	Note	Half- year ended 30.06.10	YTD 31.12.09	Half –year ended 30.06.09
Revenue				
Loan interest		5,801	25,093	16,832
		5,801	**25,093**	**16,832**
Expenditure				
Note interest		(4,006)	(14,790)	(9,366)
Swap interest		(1,426)	(9,272)	(6,563)
Operational expenses		(133)	(462)	(263)
		(5,565)	**(24,524)**	**(16,193)**
Operating surplus		**236**	**569**	**639**
Realized and unrealized gains on swaps		-	12,038	193,045
Realized and unrealized loss on swaps		4,243	(37,034)	(182,586)
Realized and unrealized gains on notes		13,771	9,117	2,325
Realized and unrealized loss on notes		(833)	(186,787)	(96,330)
Realized and unrealized gains on loans		728	202,666	83,546
Realized and unrealized loss on loans		(17,909)	-	-
			-	-
			-	-
		-	-	-
Net result for the period/year		**236**	**569**	**639**

(All amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income - All cells aggregated

	01.01 – 30. 06. 2010	01.01. - 30.06. 2009
Net result for the year	236	639
Other comprehensive income		
Value adjustments for the year	0	0
Total other comprehensive income	0	0
Total comprehensive income	236	639
Total comprehensive income for the year is attributable to:		
Shareholders of Mare Baltic PCC Limited	236	639
	236	639

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity - All cells aggregated

	Share capital	Retained earnings	**Total Share-holders equity**
Balance at 1 January 2009	**14**	**685**	**699**
Profit for the period	-	639	639
Total recognized income for period to 30.06 2009	**-**	**639**	**639**
Issue of share capital	-	-	-
Dividend related to 2007	-	(5)	(5)
	-	**(5)**	**(5)**
Balance at 30 June 2009	**14**	**1,319**	**1,333**
Balance at 1 January 2010	**13**	**1,229**	**1,242**
Profit for the period	-	236	236
Total recognized income for period to 30.06 2010		**236**	**236**
Issue of share capital	-	-	-
Dividend related to 2009	-	-	-
		-	**-**
Balance at 30 June 2010	**13**	**1,465**	**1,478**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement - All cells aggregated

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Cash flows from operating activities				
Operating profit for the year/period		236	569	639
Increase/decrease in interest receivable		(1,424)	6,955	2,092
Increase/decrease in other receivable		(3)	(27)	3
Increase/decrease in accrued interest		1,404	(7,116)	(2,433)
Increase/decrease in creditors		(192)	162	173
Net cash generated from operating activities		**21**	**543**	**474**
Cash flows from investing activities				
Loans advanced		17,182	68,961	(83,541)
Swaps advanced		(4,244)	(29,751)	(10,538)
Notes advanced		(10,886)	-	93,992
Net cash generated from investing activities		**2,055**	**39,210**	**(87)**
Cash flows from financing activities				
Repayment of notes		(2,055)	(39,210)	-
Dividends paid		-	-	(5)
Net cash flows from financing activities		**(2,055)**	**(39,210)**	**(5)**
Net increase in cash and cash equivalents		21	543	382
Cash and cash equivalents at the beginning of the year/period		1,631	1,088	1,088
Cash and cash equivalents at the end of the period/year		**1,652**	**1,631**	**1,470**

The notes on pages 38 to 60 form an integral part of these financial statements.

Statement for Cell 1 – 2004 (unaudited)

Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cell's notes are listed on the OMX Nordic Exchange Copenhagen.

The second cell, Cell – 1 2004 (ScandiNotes® II), based on subordinated capital for Danish banks, was launched November 1st, 2004 under the Mare Baltic PCC Limited programme. This issue was like ScandiNotes® I divided into two tranches, a junior tranche of DKK 133,600,000 (approx. 15% of the issue) and a senior tranche of DKK 728,375,000 (approx. 85% of the issue). The current rating of the ScandiNotes® II senior tranche is B2.

During 2009 all known delegated responsibilities have been complied with and due to the RA events there will be a shortfall in the cash-flow required by the issuer to service payments due under the Notes. Thus, the interest rate hedging agreement has been terminated in part and the Class B swap under the interest rate hedging agreement has been reset to reflect the loss of cash-flow.

Effects on the junior tranche
Due to the RA events no cash flow is available for the junior tranche. The loss for the junior Note holders is thus, subject to any potential recoveries from the above mentioned banks, 100% of the investment.

Effects on the senior tranche
The net result for the senior tranche is that the amounts payable to the issuer on each payment date under the Class A Swap have been reduced from 3% per annum on a notional amount of DKK 728,375,000 to 3% per annum on a notional amount of DKK 710,700,000; and the amount payable to the Issuer on the termination date of the Class A Swap has been reduced from DKK 133,600,000 to DKK 0; a reduction of 2.43%. The loss for the senior Note holders is thus, subject to any potential recoveries from the above mentioned bank, 2.43% of the investment.

Results and dividends

The results for the year are shown in the Income statement on page 19.

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2004 (unaudited)

	Note	As at 30.06.10	As at 31.12.09	As at 30.06.09
ASSETS				
Non-current assets				
Loans receivable		19,033	18,323	56,847
Swaps	4	-	-	8,294
Total non-current assets		**19,033**	**18,323**	**65,141**
Current assets				
Interest receivable	5	118	125	2,709
Other receivable		3	6	4
Cash and cash equivalents	6	374	446	418
Total current assets		**495**	**577**	**3,131**
Total assets		**19,528**	**18,900**	**68,272**
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		342	373	394
Total equity		**343**	**374**	**395**
LIABILITIES				
Non-current liabilities				
Notes issued	8	19,033	18,323	65,235
Total non-current liabilities		**19,033**	**18,323**	**65,235**
Current liabilities				
Creditors		27	69	52
Accrued interest	9	125	134	2,590
Total current liabilities		**152**	**203**	**2,642**
Total liabilities		**19,185**	**18,526**	**67,877**
Total equity and liabilities		**19,528**	**18,900**	**68,272**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2004 (unaudited)

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Revenue				
Loan interest		416	4,672	3,257
		416	**4,672**	**3,257**
Expenditure				
Note interest		(398)	(2,528)	(1,420)
Swap interest		-	(1,917)	(1,652)
Operational expenses		(50)	(126)	(58)
		(448)	**(4,571)**	**(3,130)**
Operating surplus		**(32)**	**101**	**127**
Realized and unrealized gain on swaps		-	8,300	8,294
Realized and unrealized loss on swaps		-	(4,852)	(4,706)
Realized and unrealized gains on loans		728	39,699	9,146
Realized and unrealized loss on loans		-	-	-
Realized and Unrealized gain on notes		-	5,861	
Realized and Unrealized loss on notes		(728)	(49,008)	(12,734)
		-	**-**	**-**
Net result for the period/year		**(32)**	**101**	**127**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2004

	Share capital	Retained earnings	**Total Share-holders equity**
Balance at 1 January 2009	**1**	**272**	**273**
Profit for the period	-	127	127
Total recognized income for the period to 30.06.2009	**-**	**127**	**127**
Issue of share capital	-	-	-
Dividend related to 2008	-	(5)	(5)
	-	(5)	(5)
Balance at 30 June 2009	**1**	**394**	**395227**
Balance at 1 January 2010	**1**	**373**	**374**
Profit for the period	-	(32)	(32)
Total recognized income for the period to 30.06.2010	**-**	**(32)**	**(32)**
Dividend related to 2009	-	-	-
	-	**-**	**-**
Balance at 30 June 2010	**1**	**341**	**342**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2004

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Cash flows from operating activities				
Operating profit for the year/period		(32)	101	127
Increase/decrease in interest receivable		7	1,681	(799)
Increase/decrease in other receivable		3	-	2
Increase/decrease in accrued interest		(8)	(1,748)	708
Increase/decrease in creditors		(42)	52	35
Net cash generated from operating activities		**(72)**	**86**	**73**
Cash flows from investing activities				
Loans advanced		(728)	69,147	(9,075)
Swaps advanced		-	8,257	(3,589)
Notes advanced		728	-	12,654
Net cash used in investing activities		**-**	**77,404**	**(10)**
Cash flows from financing activities				
Repayment of notes		-	(77,404)	-
Net cash flows from financing activities		**-**	**(77,404)**	**(5)**
Net (decrease)/increase in cash and cash equivalents		**(72)**	**86**	**58**
Cash and cash equivalents at the beginning of the year/period		446	360	360
Cash and cash equivalents at the end of the period/year		**374**	**446**	**418**

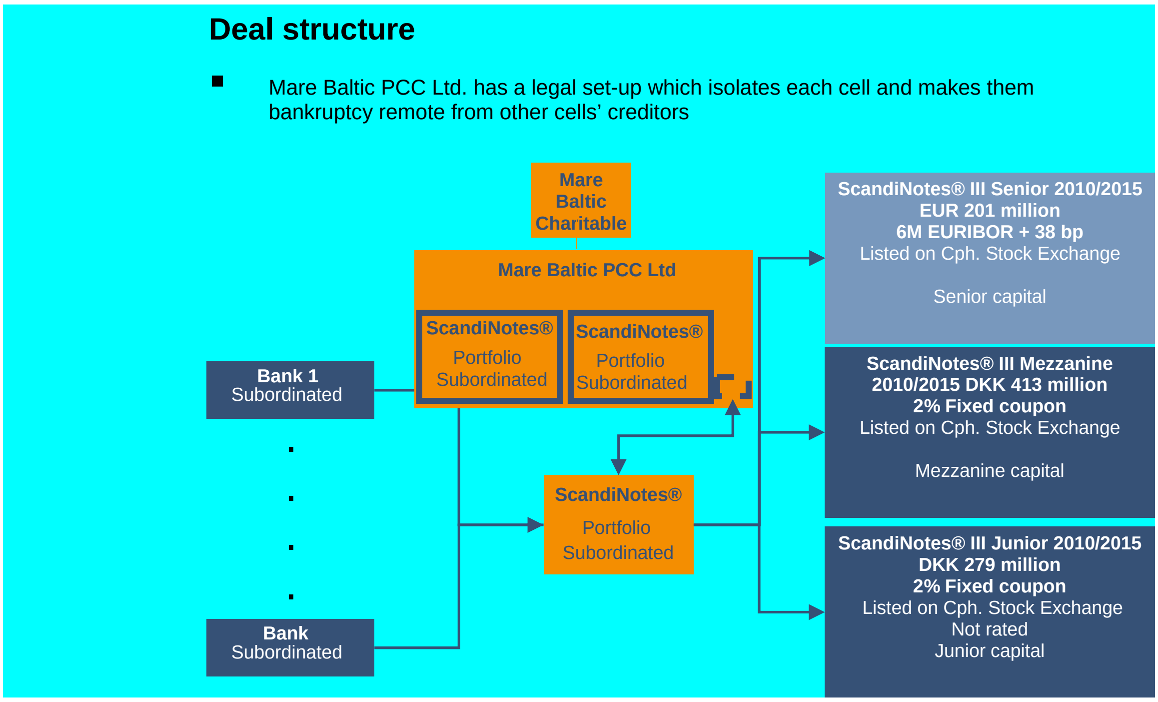
The notes on pages 38 to 60 form an integral part of these financial statements.

Statement for Cell 1 – 2005 (unaudited)

Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cells notes are listed on the OMX Nordic Exchange Copenhagen.

The third cell, Cell – 1 2005 (ScandiNotes® III), was as with ScandiNotes® I and ScandiNotes® II, based on subordinated debt for financial institutions, but for this issue to Nordic Financial institutions. The issue was launched on November 1st, 2005. This Issue was divided into three tranches, a junior tranche of DKK 279,050,000, a mezzanine tranche of DKK 413,370,000 and a senior tranche of EUR 201,600,000. The current rating of the ScandiNotes® III mezzanine tranche is C and of the ScandiNotes® III senior tranche is Caa3



Statement for Cell 1 – 2005 (continued)

During 2009 all known delegated responsibilities have been complied with and due to the RA events there will be a shortfall in the cash-flow required by the issuer to service payments due under the notes. Thus, the interest rate hedging agreement has been terminated in part and the Class C Swap and the Class B Swap under the interest hedging agreement have been reset to reflect the loss of cash-flow from the above mentioned banks.

Effects on the junior tranche
Due to the RA events no cash flow is available for the junior tranche. The loss for the junior Note holders is thus, subject to any potential recoveries, 100% of the investment.

Effects on the mezzanine tranche
Due to the RA events no cash flow is available for the mezzanine tranche. The loss for the mezzanine Note holders is thus, subject to any potential recoveries from the above mentioned banks, 100% of the investment.

Effects on the Senior Tranche
The net result is that the amounts payable to the issuer on each payment date have been reduced from 2% per annum on a notional amount of EUR 201,600,000 to 2% per annum on a notional amount of EUR 196,868,600; and the amount payable to the Issuer on the termination date of the Class A Swap has been reduced from EUR 201,600,000 to EUR 196,868,600; a reduction of 2.35%.

Results and dividends

The results for the year are shown in the Income statement on page 25.

All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2005 (unaudited)

	Note	As at 30.06.10	As at 31.12.09	As at 30.06.09
ASSETS				
Non-current assets				
Loans receivable		159,687	171,866	130,656
Swaps	4	9,051	8,483	8,155
Total non-current assets		**168,738**	**180,349**	**138,811**
Current assets				
Interest receivable	5	1,109	1,153	1,613
Other receivable		14	9	5
Cash and cash equivalents	6	540	497	420
Total current assets		**1,663**	**1,659**	**2,038**
Total assets		**170,401**	**182,008**	**140,849**
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		352	233	397
Total equity		**353**	**234**	**398**
LIABILITIES				
Non-current liabilities				
Notes issued	8	168,738	180,349	138,811
Total non-current liabilities		**168,738**	**180,349**	**138,811**
Current liabilities				
Creditors		18	88	79
Accrued interest	9	1,294	1,337	1,561
Total current liabilities		**1,312**	**1,425**	**1,640**
Total liabilities		**170,050**	**181,774**	**140,451**
Total equity and liabilities		**170,401**	**182,008**	**140,849**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2005 (unaudited)

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Revenue				
Loan interest		1,931	7,403	5,134
		1,931	**7,403**	**5,134**
Expenditure				
Note interest		(1,358)	(6,124)	(4,238)
Swap interest		(417)	(933)	(433)
Operational expenses		(38)	(137)	(90)
		(1,813)	**(7,194)**	**(4,761)**
Operating surplus		**118**	**209**	**373**
Realized and unrealized gain on swaps		568	1,720	8,180
Realized and unrealized loss on swaps			(108)	(6,896)
Realized and unrealized gain on loans		-	103,644	62,434
Realized and unrealized loss on loans		(12,179)	-	-
Realized and unrealized gain on notes		11,611	-	-
Realized and unrealized loss on notes			(105,256)	(63,718)
		-	-	-
Net result for the period/year		**118**	**209**	**373**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2005

	Share capital	Retained earnings	**Total Share-holders equity**
Balance at 1 January 2009	**1**	**24**	**25**
Profit for the period	-	373	373
Total recognized income for the period to 30.06.2009	**-**	**373**	**373**
Issue of share capital	-	-	-
Dividend related to 2008	-	-	-
Balance at 30 June 2009	**1**	**397**	**398**
Balance at 1 January 2010	**1**	**233**	**234**
Profit for the period	-	118	118
Total recognized income for the period to 30.06.2010	**-**	**351**	**352**
Issue of share capital	-	-	-
Dividend related to 2009	-	-	-
Balance at 30 June 2010	**1**	**351**	**352**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2005

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Cash flows from operating activities				
Operating profit for the year/period		118	209	373
Increase/decrease in interest receivable		44	2,859	2,438
Increase/decrease in other receivable		(5)	(4)	-
Increase/decrease in accrued interest		(43)	(2,917)	(2,693)
Increase/decrease in creditors		(70)	61	50
Net cash generated from operating activities		**44**	**208**	**168**
Cash flows from investing activities				
Loans advanced		12,179	-	(62,434)
Swaps advanced		(568)	-	(1,321)
Notes advanced		(11,611)	-	63,718
Net cash used in investing activities		**-**	**-**	**(37)**
Cash flows from financing activities				
Issue of loans		-	-	-
Issue of notes		-	-	-
Proceeds from the issue of ordinary share capital		-	-	-
Dividends paid		-	-	-
Net cash flows from financing activities		**-**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents		**44**	**208**	**131**
Cash and cash equivalents at the beginning of the year/period		497	289	289
Cash and cash equivalents at the end of the period/year		**541**	**497**	**420**

The notes on pages 38 to 60 form an integral part of these financial statements.

Statement for Cell 1 – 2006 (unaudited)

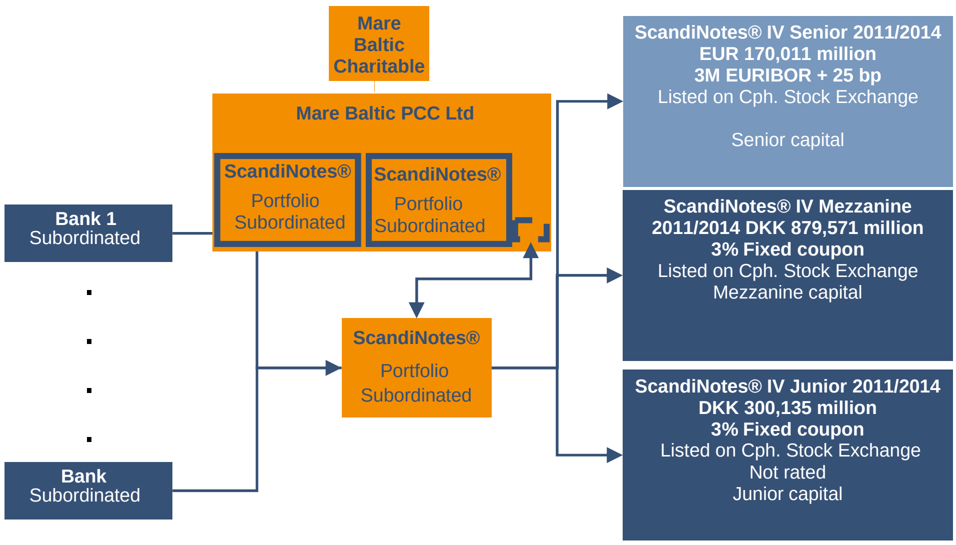
Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cells notes are listed on the OMX Nordic Exchange Copenhagen.

The fourth cell, Cell – 1 2006 (ScandiNotes® IV), was as with ScandiNotes® I and ScandiNotes® II, based on subordinated debt for Danish financial institutions. The Issue was launched on November 17th, 2006. This Issue was divided into three tranches, a junior tranche of DKK 300,135,000, a mezzanine tranche of DKK 879,571,000 and a senior tranche of EUR 170,011,000. The current rating of the ScandiNotes® IV mezzanine tranche is Ca and of the ScandiNotes® IV senior tranche Ba3.

Deal structure

- Mare Baltic PCC Ltd. has a legal set-up which isolates each cell and makes them bankruptcy remote from other cells' creditors



The notes on pages 38 to 60 form an integral part of these financial statements.

Statement for Cell 1 – 2006 (continued)

During 2009 all known delegated responsibilities have been complied with and due to the RA events of, there will be a shortfall in the cash-flow required by the issuer to service payments due under the notes. Thus, the interest rate hedging agreement has been terminated in part and the Class C Swap and the Class B Swap under the interest rate hedging agreement have been reset to reflect the loss of cash-flow.

Effects on the junior tranche

Due to the RA events no cash flow is available for the junior tranche. The loss for the junior note holders is thus, subject to any potential recoveries, 100% of the investment.

Effects on the mezzanine tranche

The principal of the Class B Notes has been reduced from an original notional amount of DKK 879,571,000 to DKK 727,400,000, being the amount on which the issuer expects an ongoing rate of interest equal to 3%. per annum. The reduction in principal will be shared on a pro-rata basis by the Class B note holders. This means that there has been a reduction of interest and principal on the Class B Notes of 17.30%. The loss for the mezzanine note holders is thus, subject to any potential recoveries from the above mentioned banks, 17.30% of the investment.

Results and dividends

The results for the year are shown in the Income statement on page 31.

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2006 (unaudited)

	Note	As at 30.06.10	As at 31.12.09	As at 30.06.09
ASSETS				
Non-current assets				
Loans receivable		217,700	223,430	175,953
Swaps	4	16,964	13,553	11,927
Total non-current assets		**234,664**	**236,983**	**187,880**
Current assets				
Interest receivable	5	1,109	1,425	3,427
Other receivable		14	8	5
Cash and cash equivalents	6	540	678	536
Total current assets		**1,663**	**2,111**	**3,968**
Total assets		**170,401**	**239,094**	**191,848**
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		352	622	506
Total equity		**353**	**623**	**507**
LIABILITIES				
Non-current liabilities				
Notes issued	8	168,738	235,204	185,362
Swaps	4	-	1,779	2,519
Total non-current liabilities		**168,738**	**236,983**	**187,881**
Current liabilities				
Creditors		16	112	81
Accrued interest	9	1,294	1,376	3,379
Total current liabilities		**1,310**	**1,488**	**3,460**
Total liabilities		**170,048**	**238,471**	**191,341**
Total equity and liabilities		**170,401**	**239,094**	**191,848**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2006 (unaudited)

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Revenue				
Loan interest		3,455	13,017	8,441
		3,455	**13,017**	**8,441**
Expenditure				
Note interest		(2,250)	(6,138)	(3,709)
Swap interest		(1,009)	(6,422)	(4,478)
Operational expenses		(45)	(169)	(82)
		(3,304)	**(12,729)**	**(8,269)**
Operating surplus		**151**	**288**	**172**
Realized and unrealized gain on swaps		3,676	2,019	176,571
Realized and unrealized loss on swaps		-	(32,074)	(170,984)
Realized and unrealized gain on loans		-	59,323	11,966
Realized and unrealized loss on loans		(5,731)	-	
Realized and unrealized gain on notes		2,055	3,256	2,325
Realized and unrealized loss on notes		-	(32,524)	(19,878)
		-	**-**	**-**
Net result for the period/year		**151**	**288**	**172**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2006

	Share capital	Retained earnings	**Total Share-holders equity**
Balance at 1 January 2009	**1**	**334**	**335**
Profit for the period	-	172	172
Total recognized income for the period to 30.06.2009	**-**	**172**	**172**
Issue of share capital	-	-	-
	-	**-**	**-**
Balance at 30 June 2009	**1**	**506**	**507**
Balance at 1 January 2010	**1**	**622**	**623**
Profit for the period	-	151	151
Total recognized income for the period to 30.06.2010	**-**	**151**	**151**
Issue of share capital	-	-	-
	-	**-**	**-**
Balance at 30 June 2010	**1**	**773**	**774**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2006

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Cash flows from operating activities				
Operating profit for the year/period		151	288	172
Increase/decrease in interest receivable		(1,475)	2,415	453
Increase/decrease in other receivable		(1)	(2)	-
Increase/decrease in accrued interest		1,455	(2,451)	(448)
Increase/decrease in creditors		(80)	87	58
Net cash generated from operating activities		**50**	**337**	**235**
Cash flows from investing activities				
Loans advanced		5,731	(186)	(12,032)
Swaps advanced		(3,676)	(38,008)	(5,628)
Notes advanced		-	-	17,620
Net cash used in investing activities		**2,055**	**(38,194)**	**(40)**
Cash flows from financing activities				
Issue of loans		-	-	-
Repayment of notes		(2,055)	38,194	-
Proceeds from the issue of ordinary share capital		-	-	-
Dividends paid		-	-	-
Net cash flows from financing activities		**(2,055)**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents		**50**	**337**	**195**
Cash and cash equivalents at the beginning of the year/period		678	341	341
Cash and cash equivalents at the end of the period/year		**728**	**678**	**536**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Non-cellular (unaudited)

	Note	As at 30.06.10	As at 31.12.09	As at 30.06.09
ASSETS				
Non-current assets				
Loans receivable		-	-	-
Swaps	4	-	-	-
Total non-currents assets		**-**	**-**	**-**
Current assets				
Interest receivable	5	-	-	-
Other receivable		-	-	-
Cash and cash equivalents	6	10	10	10
Total current assets		**10**	**10**	**10**
Total assets		**10**	**10**	**10**
EQUITY				
Called up share capital	7	10	10	10
Retained earnings		-	-	-
Total equity		**10**	**10**	**10**
LIABILITIES				
Non-current liabilities				
Notes issued	8	-	-	-
Total non-current liabilities			**-**	**-**
Current liabilities				
Creditors		-	-	-
Accrued interest	9	-	-	-
Total current liabilities		**-**	**-**	**-**
Total liabilities		**-**	**-**	**-**
Total equity and liabilities		**10**	**10**	**10**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Income statement – Non-cellular (unaudited)

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Revenue				
Loan interest		-	-	-
Deposit interest income		-	-	-
		-	**-**	**-**
Expenditure				
Note interest		-	-	-
Swap interest		-	-	-
Operational expenses		-	-	-
		-	**-**	**-**
Operating surplus		**-**	**-**	**-**
Unrealized gain on loans		-	-	-
Unrealized gain on swaps		-	-	-
Unrealized loss on notes		-	-	-
Currency rate exchange differences		-	-	-
		-	**-**	**-**
Net result for the period/year		**-**	**-**	**-**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Non-cellular

	Share capital	Retained earnings	**Total Share-holders equity**
Balance at 1 January 2009	**10**	**-**	**10**
Profit for the period	-	-	-
Total recognized income for the period to 30.06 2009	**-**	**-**	**-**
Issue of share capital	-	-	-
Dividend related to 2008	-	-	-
	-	**-**	**-**
Balance at 30 June 2009	**10**	**-**	**10**
Balance at 1 January 2010	**10**	**-**	**10**
Profit for the period	-	-	-
Total recognized income for the period to 30.06 2010	**-**	**-**	**-**
Issue of share capital	-	-	-
	-	**-**	**-**
Balance at 30 June 2010	**10**	**-**	**10**

The notes on pages 38 to 60 form an integral part of these financial statements.

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Non-cellular

	Note	Half-year ended 30.06.10	YTD 31.12.09	Half-year ended 30.06.09
Cash flows from operating activities				
Operating profit for the year/period		-	-	-
Increase/decrease interest receivable		-	-	-
Increase/decrease other receivable		-	-	-
Increase/decrease accrued interest		-	-	-
Increase/decrease creditors		-	-	-
Net cash generated from operating activities		**-**	**-**	**-**
Cash flows from investing activities				
Loans advanced		-	-	-
Swaps advanced		-	-	-
Notes advanced		-	-	-
Net cash used in investing activities		**-**	**-**	**-**
Cash flows from financing activities				
Issue of notes		-	-	-
Proceeds from the issue of ordinary share capital		-	-	-
Dividends paid		-	-	-
Net cash flows from financing activities		**-**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents		**-**	**-**	**-**
Cash and cash equivalents at the beginning of the year/period		10	10	10
Cash and cash equivalents at the end of the period/year		**10**	**10**	**10**

The notes on pages 38 to 60 form an integral part of these financial statements.

Notes to the financial statements for the six month to 30th June 2010

1. General information

Mare Baltic PCC Limited (the Company) is a limited liability company registered and domiciled in Guernsey.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented. The policies are unchanged compared to last year.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

The Company's rights and obligations under the swaps are regarded as derivative financial instruments. Under IFRS derivative financial instruments are classified as held for trading and thereby swaps automatically falls within the definition of a financial asset or financial liability at fair value through profit or loss.

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the directors have designated the Company's investment in subordinated loans as a financial asset at fair value through profit or loss. Also, the directors have designated the Company's notes issued as financial liabilities at fair value through profit or loss. This is to eliminate the accounting mismatch which would otherwise exist between subordinated loans, notes issued and swap transactions which are entered into to eliminate the differences in currency and interest terms of the subordinated loans and notes issued.

The changes in the fair value due to changes in the company’s own credit risk on loan and credit risk on the notes issued are considered to be immaterial.

The International Accounting Standards Board (IASB) has issued a number of international accounting standards that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force.

None of these is expected to materially affect the Company's future financial reporting.

In November 2009, the IASB published IFRS 9, Financial Instruments. This version of the standard is the first step to replace the requirements of IAS 39 by the end of 2010. The first phase of IFRS 9 addresses only the classification and measurement of financial assets, while the next phases will include requirements for the measurement and recognition of financial liabilities, impairment methodology and guidelines for hedge accounting and de-recognition.

The EU has decided to postpone adoption of the standard until the details of the next phases are known. The standard is scheduled for implementation on January 1, 2013, at the latest.

The Company does not expect IFRS 9 to materially affect the measurement of its financial assets or liabilities.

Notes to the financial statements (continued)

2.2 Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

In particular estimations are applied in the determination of fair values of loan and notes issued, as the notes in the current market no longer are actively traded and the loans have never been traded. The calculation of fair value of the loans has been based on the values of the notes and the value of the swaps

In 2008 the fair value of the notes were calculated based on the estimated cash flows and discounted with the expected market rate comprising of the risk free interest rate and a risk premium. The risk premium for the notes cannot be observed directly in the market. The fair values of the notes were based on a valuation model where only some of the input could be observed in the market. The unobservable inputs, e.g. credit spreads and liquidity discounts, are derived from observable market prices adjusted based on management's judgment.

In 2009 the fair value of the notes is based on a proprietary valuation model based on Monte Carlo simulations where only some of the input can be observed in the market and most of the input is partly or partly not observable. Management's judgment is used to determine the observable input. The unobservable inputs e.g. correlation coefficient, timing of repayment, liquidity/risk premium and probability of default, loss given default have a significant effect on the fair value of the notes.

2.3 Protected Cell Company

The Company is a Protected Cell Company in accordance with the provisions of the Protected Cell Companies Ordinance 1997 as amended by the Protected Cell Companies (Amendment) Ordinance, 1998 ("the Ordinance"). The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and any other assets attributable to the cell. The non-cellular assets comprise the assets of the Company, which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, the cellular assets attributable to that cell shall be liable and the liability shall not be a liability of assets attributable to any other cell or of the non-cellular assets unless the Company has entered into a recourse agreement.

Notes to the financial statements (continued)

2.4 Notes issued

Notes issued are initially recognized at their fair value on the date of issue. The notes are measured at fair value based on valuations models.

2.5 Interest Rate Swap agreements (IRS's)

IRS's are stated at fair value, estimated using valuation methods with inputs based on current market data. Realized and unrealized gains and losses on the IRS's are recognized in the income statement.

2.6 Loans receivable

Loans receivable are classified as a financial asset at fair value through profit or loss. The loans are initially recognized at fair value on the date of purchase and subsequently at its estimated fair value.

The calculation of fair value of the loans has been based on the values of the notes and the value of the swaps.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

2.8 Functional and reporting currency

The functional currency is DKK for CELL 1-2004, EUR for CELL 1-2005 and DKK for CELL 1- 2006. The reporting currency of the Company and the cells are EUR due to some of the notes are denominated in EUR and since the Company is registered in Guernsey EUR is used as reporting currency.

2.9 Foreign currencies

Monetary assets and liabilities are translated into EUR at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are translated into EUR at the rate of exchange ruling at the date of transaction. Exchange differences arising on the settlement or revaluation of monetary items, are recognized in the income statement in the year which they arise.

2.10 Interest income and expenses

Interest income and expenses are recognized on an accruals basis.

Notes to the financial statements (continued)

2.11 Agent fees

Agent fees are recognized on an accruals basis. The fees payable are amortized to the income statement over the service period, using the linear method.

2.12 Employees

The Company had no employees during the year ended 31 December 2009 (2008: no employees)

Notes to the financial statements (continued)

3. Loans receivable (at fair value)

The Company has invested the proceeds from the issue of notes in portfolios of subordinated loans to a number of small and medium sized banks. They pay interest to the Company to fund its obligations to the note holders and obligations under the swap agreements.

The Company has entered into a programme for the issue of limited recourse obligations (the "Programme") whereby the Company may issue notes in series and each such series is separately secured by a charge on assets acquired to fund the Company's payment obligations on each series (the "Collateral"). Therefore, the investments in loan portfolios above are separately pledged as security for the notes issued.

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement

The IRS's are entered into to match the receivables of the company with the obligations under the note issue Programme. The interest received from the investments is exchanged with fixed rate interest matching the obligation on the notes.

The terms described are as at 31 December 2008 and some swaps have been terminated in part during the year refer to directors' report.

(All amounts in EUR thousands unless otherwise stated)

Related risk position	Maturity date	Notional amount	Pay/ receive	Interest %	Fair value 30 June 2010	Fair value 30 June 2009
Cell 1 - 2004						
DKK 728,375,000	01.11.2009	Fixed DKK 710,700,000	(receive)	3,000%	-	8,294
Class A 3% Limited Recourse Secured Senior Notes due 2012	01.11.2009	Floating DKK 650,000,000	(pay)			
					-	**8,294**
Non current assets					**-**	**8,294**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/ receive	Interest %	Fair value 30 June 2010	Fair value 30 June 2009
Cell 1 - 2005						
EUR 187,500,000 Class A	01.11 2010	Floating EUR 196,868,600	(receive)		9,051	8,155
Limited Recourse Secured Senior Notes due 2015	01.11 2010	Floating EUR 187,500,000	(pay)			
					-	-
					9,051	**8,155**
Non current assets					**9,051**	**8,155**
Non current liabilities					**-**	**-**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/ receive	Interest %	Fair value 30 June 2010	Fair value 30 June 2009
Cell 1 - 2006						
DKK 727,400,000 Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17.11 2011	Fixed DKK 727,400,000	(receive)	3,000 %	16,964	11,927
	17.11 2011	Floating DKK 612,546,651	(pay)			
					16,964	**11,927**
						-
					-	
EUR Class A Floating Rate Limited Recourse Secured Senior Notes due 2014	17.11 2011	Floating EUR 170,011,000	(receive)		(1,515)	-
	17.11 2011	Floating DKK 1,268,112,049	(pay)			-
					(1,515)	-
---Non current assets					**16,964**	**11,927**
Non current liabilities					**(1,515)**	**-**

Aggregate all cells	**30.06.10**	**30.06.09**
Non current assets	**26,015**	**28,376**
Non current liabilities	**(1,515)**	**-**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

5. Interest receivable

	As at 30.06.10	As at 31.12.09	As at 30.06.09
Cell 1 – 2004			
Interest receivable, loans	118	125	753
Interest receivable, swaps	-	-	1,956
	118	**125**	**2,709**
Cell 1 – 2005			
Interest receivable, loans	641	666	836
Interest receivable, swaps	468	487	777
	1,109	**1,153**	**1,613**
Cell 1 – 2006			
Interest receivable, loans	899	871	1,223
Interest receivable, swaps	2,001	554	2,204
	2,900	**1,425**	**3,427**
	4,127	**2,703**	**7,749**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Cash and cash equivalents

	As at 30.06.10	As at 31.12.09	As at 30.06.09
Cell 1 – 2004			
Royal Bank of Scotland International Guernsey	7	1	1
HSH Nordbank – Denmark (current account)	71	71	417
Nordea-Denmark	302	374	-
	374	**446**	**418**
Cell 1 – 2005			
Royal Bank of Scotland International Guernsey	1	1	1
HSH Nordbank – Denmark (current account)	-	-	419
Nordea-Denmark	539	496	
	540	**497**	**420**
Cell 1 – 2006			
Royal Bank of Scotland International Guernsey	1	1	1
HSH Nordbank – Denmark (current account)	-	-	535
Nordea-Denmark	726	677	
	727	**678**	**536**
Non-cellular			
Royal Bank of Scotland International Guernsey	10	10	10
	10	**10**	**10**
	1,651	**1,631**	**1,470**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

7. Called up share capital

	As at 30.06.10	As at 31.12.09	As at 30.06.09
Cell 1 – 2003			
1,000 ordinary shares of EUR 1 each	-	-	1
Cell 1 – 2004			
1,000 ordinary shares of EUR 1 each	1	1	1
Cell 1 – 2005			
1,000 ordinary shares of EUR 1 each	1	1	1
Cell 1 – 2006			
1,000 ordinary shares of EUR 1 each	1	1	1
Non-cellular			
10,000 ordinary shares of EUR 1 each	10	10	10
	13	**13**	**14**

The authorized share capital comprising 200,000 ordinary shares of EUR 1 each.

All shares belong to same class of shares and have the same rights.

All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued

	Issue proceeds/ Notional amount	As at 30.06.10 Fair value	Issue proceeds/ Notional amount	As at 30.06.09 Fair value
Cell 1 – 2004				
Series 2004-1 DKK 728,375,000 ScandiNotes 2 3% limited recourse secured asset backed notes due 2012 (senior)	DKK '000 152,675	19,033	DKK '000 680,774	59,378
Series 2004-1 DKK 133,600,000 ScandiNotes 2 3% limited recourse secured asset backed notes due 2012 (junior)	DKK '000 120,000	-	DKK '000 120,000	5,857
Total		**19,033**		**65,235**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

	As at 30.06.10		As at 30.06.09	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	Fair value
Cell 1 – 2005				
Series 2015-1 EUR 201,600,000 ScandiNotes 3 2,753 % limited recourse secured asset backed notes due 2011 (senior)	EUR ‘000 196,738	168,738	DKK ‘000 201,600	84,948
Series 2015-1 DKK 413,370,000 ScandiNotes 3 2 % limited recourse secured asset backed notes due 2015 (mezzanine)	DKK ‘000 376,110	-	EUR ‘000 376,110	53,863
Series 2015-1 DKK 279,050,000 ScandiNotes 3 2 % limited recourse secured asset backed notes due 2011 (junior)	DKK ‘000 209,248	-	DKK ‘000 209,248	-
Total		**168,738**		**138,811**

Mare Baltic PCC Limited Cell - 1 2005 has entered into certain financial derivatives transactions. The purpose of these transactions is to mitigate the open market risk to the investors and the issuer (Mare Baltic) in the event that all loans are not repaid in 2010. The financial derivatives will only have a value to the investors and the issuer if any loans are not repaid in 2010 and as the financial derivatives are linked specifically to such outstanding loans the financial derivatives will have no value to others if sold in the market. For this reason these financial derivatives are neither part of the profit and loss calculation nor influencing the values of the assets and liabilities.

All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

	As at 30.06.10		As at 30.06.09	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	Fair value
Cell 1 – 2006				
Series 2006-1 DKK 300,135,000 ScandiNotes 4 3 % limited recourse secured asset backed notes due 2014 (junior)	DKK '000 230,566	-	DKK '000 230,566	-
Series 2006-1 DKK 879,571,000 ScandiNotes 4 3 % limited recourse secured asset backed notes due 2014 (mezzanine)	DKK '000 727,400	71,159	DKK '000 806,981	47,367
Series 2006-1 EUR 170,011,000 ScandiNotes 4 3,843 % limited recourse secured asset backed notes due 2014 (senior)	EUR '000 170,011	161,990	EUR '000 170,011	137,995
Total		**233,149**		**185,362**

Mare Baltic PCC Limited Cell - 1 2006 has entered into certain financial derivatives transactions. The purpose of these transactions is to mitigate the open market risk to the investors and the issuer (Mare Baltic) in the event that all loans are not repaid in 2011. The financial derivatives will only have a value to the investors and the issuer if any loans are not repaid in 2011. As the financial derivatives are linked specifically to such outstanding loans they will have no value to others if sold in the market. For this reason these financial derivatives are neither part of the profit and loss calculation nor influencing the values of the assets and liabilities.

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

The Company has entered into a Secured Note Programme whereby the Company issues notes in series and each such series is secured by a charge on, or assignment of interests in, certain financial instruments or investments. The maximum aggregate principal amount of all Notes issued by the Company pursuant to the Programme shall not exceed EUR 1,000,000,000 or its equivalent in other currencies at the time of issue.

In connection with the notes issued under the Programme, the Company has agreed to an ISDA Master Agreement made between Mare Baltic PCC Limited and HSH Nordbank AG.

Under this Master Agreement a number of Swap Agreements have been entered into all for the purpose of exchanging interest received by the Company into fixed rate interest for servicing the notes. The recourse of holders of the notes against the Company is limited to amounts properly received from the portfolio.

The scheduled redemption amount per note in issue will be par face value at the scheduled redemption date of the notes; it will exactly match the redemption amount per note when the Swaps are terminated. The Company's notes are listed on the OMX Nordic Exchange Copenhagen.

9. Accrued interest

	As at 30.06.10	**As at 31.12.09**	**As at 30.06.09**
Cell 1 – 2004			
Interest payable, notes	125	134	1,956
Interest payable, swaps	-	-	634
	125	**134**	**2,590**
Cell 1 – 2005			
Interest payable, notes	705	724	777
Interest payable, swaps	589	613	784
	1,294	**1,337**	**1,561**
Cell 1 – 2006			
Interest payable, notes	2,001	554	2,206
Interest payable, swaps	829	822	1,173
	2,830	**1,376**	**3,379**
	4,249	**2,847**	**6,896**

Notes to the financial statements (continued)

10. Taxation

The Company was granted exemption from tax under the Income tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 until the year ended 31 December 2007. With effect from 1 January 2008, Guernsey abolished the exempt company regime and the standard rate of income tax for companies has changed from 20% to 0%. Therefore with effect from 1 January 2008, Mare Baltic PCC Ltd has been taxed at the standard rate of 0%.

11. Parent Company

The Company is owned by the Mare Baltic Charitable Trust. In the opinion of the Directors there is no ultimate controlling party since the criteria contained within the definition of "control" in International Accounting Standard No 24 (reformatted 1994) Related Party Disclosures are not satisfied by any one party.

12. Financial instruments

As stated in the Directors' Report the principal activity of the Company is limited to the issue of collateralized notes in series. The proceeds from the issue of each series of notes are used to acquire interest carrying assets or similar investments Therefore, the role of financial assets and financial liabilities is central to the activities of the Company, the issue of notes provided the funding to purchase the Company's financial assets.
Financial assets and liabilities provide the majority of the assets and liabilities of the Company along with all of the income.

As well as the purchase of investments and the issue of notes, the Company has also entered into Swap Agreements, as detailed in note 4, to hedge the interest rate and currency risk associated with the potential mismatch between the capital returns from the investments and the obligations under the notes.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk. Cash flow within each cell is set up as a water flow structure where senior tranches are serviced before mezzanine and junior tranches. RA events result in changes in the expected cash flow to the notes issued. Maturity of the swaps and notes are disclosed in note 4 and 8.

As disclosed in note 2, the Company's swaps are regarded as held for trading and the investments and the notes in issue as at the balance sheet date have been designated as financial asset/liabilities at fair value through profit or loss.

Notes to the financial statements (continued)

12. Financial instruments (continued)

The swap values are calculated on the basis of a model that takes into account, inter alia, the key input of yield curves. It should be noted that the value model is based on a number of subjective assumptions and that other market practitioners may determine different values.

Note values are determined in accordance with the early redemption provisions of the offering Memorandum. These calculations take into account the swap values at the maturity dates of the notes.

12.1 Interest Rate risk

The Company primarily finances its operations through the issue of notes upon which 2% and 3% coupons are payable. The directors believe that there is no net interest rate risk to the Company as the interest is fully hedged. To hedge the Cell 1 – 2006 series against a substantial drop in interest rates before maturity the company has purchased interest rate floors thus eliminating the risk of losses if interest rates drop to or below zero percent.

12.2 Currency risk

Virtually all of the Company's financial assets and liabilities are denominated in matching currencies. Any differences have been covered by derivatives contracts entered with third parties. Consequently, the Directors believe that there is no material currency risk to the Company.

12.3 Credit risk and Counterparty risk

Credit risk is the risk of default by the loan debtors and swap counterparty (HSH Nordbank AG). The terms of the notes allow a full offset of such losses. The directors believe that there is no net credit risk to the Company since its obligations to the note holders are limited to the amounts due and receivable from the investment and the swap agreement secured as collateral for the notes. The Company therefore has no net exposure to any non-performing financial agreements.

12.4 Credit spread risk

The directors believe that there is no net credit spread risk to the Company since its obligations to the note holders are limited to the amounts due and receivable from the investment and the swap agreement secured as collateral for the notes and both the loans and notes are not trades and prices cannot be observed.

(All amounts in EUR thousands unless otherwise stated)

12.5 Categories of financial instruments (All cells aggregated)

	As at 30.06.10		As at 30.06.09	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans receivable	396,420	396,420	363,456	363,456
Swaps	26,015	26,015	28,376	28,376
Financial assets measured at fair value via the income statement	422,435	422,435	391,832	391,832
Other receivables	26	26	18	18
Cash and cash equivalents	1,651	1,651	1,470	1,470
Loans and receivables	1,677	1,677	1,488	1,488
Notes	420,920	420,920	389,408	389,408
Swaps	1,515	1,515	2,519	2,519
Financial liabilities measured at fair value via the income statement	422,435	422,435	391,927	391,927
Creditors	75	75	279	279
Accrued interest	4,249	4,249	7,530	7,530
Financial liabilities measured at amortised cost	4,324	4,324	7,809	7,809

(All amounts in EUR thousands unless otherwise stated)

12.6 Fair value hierarchy (All cells aggregated)

	As at 30.06.10			
	Quoted prices (level 1)	Obser-vable inputs (level 2)	Non-observable inputs (level 3)	Total
Financial assets				
Loans receivable	0	0	396,420	396,420
Swaps	0	26,015	0	26,015
Total financial assets	0	26,015	396,420	422,435
Financial liabilities				
Notes	0	0	420,920	420,920
Swaps	0	1,515	0	1,515
Total financial liabilities	0	1,515	420,920	422,435

	As at 30.06.09			
	Quoted prices (level 1)	Observable inputs (level 2)	Non-observable inputs (level 3)	Total
Financial assets				
Loans receivables	0	0	363,456	363,456
Swaps	0	28,376	0	28,376
Total financial assets	0	28,376	363,456	391,832
Financial liabilities				
Notes	0	0	389,408	389,408
Swaps	0	2,519	0	2,519
Total financial liabilities	0	2,519	389,408	391,927

Level 1 comprises financial instruments that are traded in active markets and fair value is measured with quoted prices.

Level 2 comprises derivative financial instruments where valuation models with observable inputs are used to measure the fair value.

Level 3 comprises financial instruments, where the value of one or more not-observable inputs has been estimated based on management's judgment and where the sum of these estimated not-observable inputs may affect the fair value.

If one or more of the not observable inputs are changed to other reasonably possible alternatives the fair value of the notes and loans receivable may change significantly but there will be no impact on the net result in the income statement due to the structure of the cells and the terms of the notes issued.

(All amounts in EUR thousands unless otherwise stated)

12.7 Financial instruments based on non-observable inputs (All cells aggregated)

	As at 30.06.10	
	Financial assets (level 3)	Financial liabilities (level 3)
Opening at 1 January 2010	413,620	433,876
Gains and losses recognised in income statement	(17,181)	17,181
Loans repaid	(19)	-
Repayment of notes	-	(30,137)
Other transfers to and from level 3	-	-
Closing at 30 June 2010	396,420	420,920

	As at 30.06.09	
	Financial assets (level 3)	Financial liabilities (level 3)
Opening at 1 January 2009	279,915	295,416
Gains and losses recognised in income statement	83,541	93,992
Loans repaid	-	-
Repayment of notes	-	-
Other transfers to and from level 3	-	-
Closing at 30 June 2009	363,456	389,408

Gains and losses have been recognised in the income statement under unrealized gains and losses on notes and loans.

The fair value of financial instruments based on not-observable inputs is significantly affected by the not-observable inputs used.

13. Events after the balance sheet date

The Company has loans receivable from Amagerbanken with nominal amounts of DKK 75 million in ScandiNotes® II (Cell 2004-1), EUR 27 million in ScandiNotes® III (Cell 2005-1) and DKK 200 million in ScandiNotes® IV (Cell 2006-1).

Amagerbanken has submitted an application to the Danish Financial Stability Company for a facility of DKK 13.5 billion for individual state guarantees for its funding after 1 October 2010. The Danish Financial Stability Company has required that (i) Amagerbanken´s capital is increased by DKK 750 million and (ii) that two candidates are appointed by the Financial Stability Company to the board of directors of Amagerbanken, before such a facility can be granted.

According to Amagerbanken`s announcement 36-2010 dated 15 September 2010, it has fulfilled both requirements (i) by appointing the two proposed candidates for the board of directors at the bank's Extraordinary General Meeting on 13 September 2010 and (ii) by issuing new shares which generated gross proceeds to the bank in the approximate amount of DKK 898million and proceeds net of costs of around DKK 878million.

According to Amagerbanken, as at 30 June 2010 it maintained a core capital ratio of 13.9% and a solvency ratio of 19.1%. Consequently the bank's board of directors has decided to effect the capital increase and, at the same time, effect the capital reduction adopted at the Extraordinary General Meeting held on 17 August 2010.

After registration of the capital reduction and the capital increase with the Danish Commerce and Companies Agency the bank has fulfilled the condition in the agreement with the Danish Financial Stability Company. Amagerbanken has stated that the bank will successively dispose of the bonds issued by the bank and which are covered by the individual government guarantees of a total of up to DKK 13.5bn issued by the Financial Stability Company.

The Company has loans receivables from Skælskør Bank with nominal amounts of EUR 10,000,000 in ScandiNotes® III (Cell 2005-1), and DKK 25,000,000 in ScandiNotes® IV (Cell 2006-1), and from Max Bank with nominal amounts of DKK 100,000,000 in ScandiNotes® IV (Cell 2006-1). By end of September 2010, Skælskør Bank and Max Bank merged to Max Bank.