

Mare Baltic PCC Limited – 30 June 2011

Mare Baltic PCC Limited
Interim report

Announcement of results for the period
1 January to 30 June 2011
(Unaudited)

Mare Baltic PCC Limited – 30 June 2011

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Mare Baltic PCC Limited – 30 June 2011

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

Mare Baltic PCC Limited – 30 June 2011

Directors' report

The directors submit their interim report and the financial statements for the reporting period ended 30 June 2011 (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 (Østjyds 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

Directors' report (continued)

Activities (continued)

mezzanine tranche is C and of the ScandiNotes® III senior tranche is Ca. On the first possible redemption date for participating banks in ScandiNotes® III eight banks decided to exercise their option to redeem their term loans except for the banks which had RA events previously. As a consequence hereof, the redemption on November 1, 2010 amounted to EUR 106,368,600.00 equaling 53% of the senior tranche (ISIN DK0030015128). The amount derived from the underlying swap and the redeemed loans. The senior tranche after November 1, 2010 has a nominal amount of EUR 95,231,400. This nominal amount has been reduced further to EUR 68,231,400 after the bankruptcy of Amagerbanken Aktieselskab on the 7 February 2011. On 2 May 2011 the senior tranche was furthermore partially redeemed by EUR 5,000,000 and a principal payment of EUR 441,588. After Fjordbank Mors A/S default in June 2011 the amount left in tranche was again reduced to EUR 55,289,812. and is serviced by underlying loans amounting to EUR 51,000,000. After 1 November 2010 the Notes retain floating interest on a semi-annual basis, payable 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 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 ScandiNotes® IV senior tranche is B1. The nominal amount of the mezzanine tranche was reduced due to RA Events in the past down to DKK 727,400,000 and has further been reduced to DKK 498,843,898 after the bankruptcy of Amagerbanken Aktieselskab on the 7 February 2011 and Fjordbank Mors A/S default in June 2011.

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.

Directors' report (continued)

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.

Mare Baltic PCC Limited – 30 June 2011

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. Forstædernes Bank merged with Nykredit Bank A/S – effective date 1 April 2010.

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. ScandiNotes III and IV is affected hereof.

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. ScandiNotes III and IV is affected hereof.

In March 2009 the Icelandic Financial Supervisory Authority (FME) decided to assume the powers of the Reykjavik Savings Bank (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 Baltics 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. ScandiNotes III is affected hereof.

Mare Baltic PCC Limited – 30 June 2011

Directors' report (continued)

Events and defaults affecting the asset portfolio (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". In December 2010 the Winding up Board informed that the claim will not be retrieved. ScandiNotes III is affected hereof.

Fionia Bank signed in 2009 an agreement with Finansiell 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 Finansiell 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.

The Danish Financial Supervisory Authority (Danish FSA) granted its permission for Max Bank A/S and Skælskør Bank A/S to merge on 15 September 2010. The Financial Stability Company approved the merger on 2 September 2010. The merged entity is called Max Bank A/S. Max Bank A/S participates in ScandiNotes® IV.

Sparbanken Gripen, Sparbanken Finn and Sparbanken Syd announced their intention to merge. The new bank is planned to be active on January 1, 2011. Sparbanken Gripen participates in ScandiNotes® III.

Morsø Sparekasse and Morsø Bank A/S merged on 1 November 2010. The new entity was called Fjordbank Mors. Fjordbank Mors participated in ScandiNotes® III and ScandiNotes® IV and went bankrupt in June 2011.

On 7 February 2011 Amagerbanken has been declared bankrupt. Amagerbanken participates in ScandiNotes® II, ScandiNotes® III and ScandiNotes® 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.

Mare Baltic PCC Limited – 30 June 2011

Directors' report (continued)

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. All swaps that had not been reset or terminated earlier ended on 1 November 2009. The only hedging agreement in place is the Floor Transaction.

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 defaulted banks participating in ScandiNotes® II, 100% of the investment.

Effects on the senior tranche

Due to the RA events only one bank paying interest is left in the transaction. The loss for the senior Note holders is thus, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes® II, 13% of the investment.

ScandiNotes III

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. All swaps that had not been reset or terminated earlier expired on 1 November 2010. The only hedging agreement in place is the Liquidity Swaption.

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 defaulted banks participating in ScandiNotes® III, 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 defaulted banks participating in ScandiNotes® III, 100% of the investment.

Effects on the Senior Tranche

Due to the RA events and partial terminations the notional amount of EUR 201,600,000 was reduced to EUR 55,289,812. The loss for the Senior Note holders is thus, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes® III, 19,4 % of the investment.

ScandiNotes IV

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 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.

Mare Baltic PCC Limited – 30 June 2011

Directors' report (continued)

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. This notional amount has been reduced further to DKK 528,166,376 after the bankruptcy of Amagerbanken Aktieselskab as of 7 February 2011 and to DKK 498,843,898 after Fjordbank Mors A/S' default in June 2011. 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 43,45%. The loss for the mezzanine note holders is subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes®IV, 43,45% of the investment.

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 – 30 June 2011

Mare Baltic PCC Limited
Interim report

Financial statements
1 January to 30 June 2011
(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 as amended.

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:

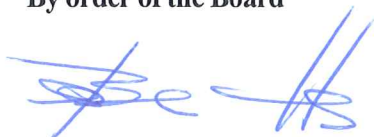
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare 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
Director



David Gough
Director

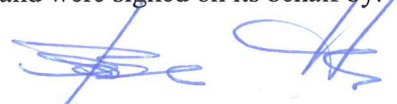
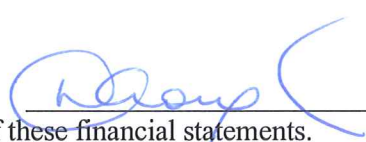
Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – All cells aggregated (unaudited)

	Note	As at 30.06.11	As at 31.12.10	As at 30.06.10
ASSETS				
Non-current assets				
Loans receivable		161,842	227,341	396,420
Swaps	4	16,236	75	26,015
Total non-current assets		178,078	227,416	422,436
Current assets				
Derivative financial instruments	4	5	14,905	
Interest receivable	5	3,104	1,843	4,127
Other receivable		9	4	26
Cash and cash equivalents	6	1,589	1,912	1,651
Total current assets		4,707	18,664	5,804
Total assets		182,785	246,080	428,240
EQUITY				
Called up share capital	7	13	13	13
Retained earnings		2,905	1,741	1,468
Total equity		2,918	1,754	1,481
LIABILITIES				
Non-current liabilities				
Notes issued	8	176,868	236,025	420,920
Swaps	4	772	5,364	1,515
Total non-current liabilities		177,640	241,389	422,435
Current liabilities				
Derivative financial instruments	4		931	
Creditors		76	220	75
Accrued interest	9	2,152	1,786	4,249
Total current liabilities		2,228	2,937	4,324
Total liabilities		179,867	244,326	426,757
Total equity and liabilities		182,785	246,080	428,240

The financial statements on page 13-62 were approved by the Board of Directors on 31. 8. 2011 and were signed on its behalf by:

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Income statement - All cells aggregated (unaudited)

	Half- year ended	YTD	Half –year ended
Note	30.06.11	31.12.10	30.06.10
Revenue			
Loan interest	4,433	11,154	5,801
	4,433	11,154	5,801
Expenditure			
Note interest	(3,276)	(7,786)	(4,006)
Swap interest	214	(2,415)	(1,426)
Operational expenses	(206)	(441)	(133)
	(3,268)	(10,642)	(5,565)
Operating surplus	1,165	512	236
Realized and unrealized gains on swaps	6,836	-	-
Realized and unrealized loss on swaps	(45)	(11,572)	4,243
Realized and unrealized gains on notes	53,607	100,851	13,771
Realized and unrealized loss on notes	-	-	(833)
Realized and unrealized gains on loans	-	-	728
Realized and unrealized loss on loans	(60,398)	(89,279)	(17,909)
	-	-	-
Net result for the period/year	1,165	512	236

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income - All cells aggregated

	01.01 – 30. 06. 2011	01.01. - 30.06. 2010
Net result for the year	<u>1,165</u>	<u>236</u>
Other comprehensive income		
Value adjustments for the year	<u>-</u>	<u>-</u>
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>1,165</u></u>	<u><u>236</u></u>
Total comprehensive income for the year is attributable to:		
Shareholders of Mare Baltic PCC Limited	<u>1,165</u>	<u>236</u>
	<u><u>1,165</u></u>	<u><u>236</u></u>

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(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 2010	14	1,283	1,297
Profit for the period	-	483	483
Total recognized income for period to 30.06 2010	-	483	483
Issue of share capital	-	-	-
Dividend related to 2007	(1)	(25)	(26)
	-	-	-
Balance at 30 June 2010	13	1,741	1,754
Balance at 1 January 2011	13	1,741	1,754
Profit for the period		1,165	1,165
Total recognized income for period to 30.06 2011		2,906	2,919
Issue of share capital		-	-
Dividend related to 2010		-	-
Balance at 30 June 2011	13	2,906	2,919

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement - All cells aggregated

	Half-year ended	YTD	Half-year ended
Note	30.06.11	31.12.10	30.06.10
Cash flows from operating activities			
Operating profit for the year/period	1,165	512	236
Increase/decrease in interest receivable	(1,261)	860	(1,424)
Increase/decrease in other receivable	(6)	20	(3)
Increase/decrease in accrued interest	366	(1,061)	1.404
Increase/decrease in creditors	(144)	(50)	(192)
Net cash generated from operating activities	120	281	21
Cash flows from investing activities			
Loans advanced	5,000	97,000	17,182
Swaps advanced	-	9,369	(4,244)
Notes advanced	-	-	(10,886)
Net cash generated from investing activities	5,000	106,369	2,055
Cash flows from financing activities			
Repayment of notes	(5,442)	(106,369)	(2,055)
Dividends paid	-	-	-
Net cash flows from financing activities	(5,442)	(106,369)	(2,055)
Net increase in cash and cash equivalents			
	(322)	281	21
Cash and cash equivalents at the beginning of the year/period	1,912	1,631	1,631
Cash and cash equivalents at the end of the period/year	1,590	1,912	1,652

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

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 Q1 and Q2 of 2011 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.

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

Due to the RA events, partial terminations and a principal payment the notional amount of EUR 201,600,000 was reduced to EUR 55,289,812. The loss for the Senior Note holders is thus, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes®III, 19,4 % of the investment.

Results and dividends

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

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2004 (unaudited)

	Note	As at 30.06.11	As at 31.12.10	As at 30.06.10
ASSETS				
Non-current assets				
Loans receivable		6,692	10,383	19,033
Swaps	4	-	2	-
Total non-current assets		6,692	10,385	19,033
Current assets				
Interest receivable	5	68	65	118
Other receivable		1	1	3
Cash and cash equivalents	6	67	357	374
Total current assets		136	423	495
Total assets		6,828	10,808	19,528
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		84	248	342
Total equity		85	249	343
LIABILITIES				
Non-current liabilities				
Notes issued	8	6,691	10,384	19,033
Total non-current liabilities		6,691	10,384	19,033
Current liabilities				
Creditors		-	48	27
Accrued interest	9	52	127	125
Total current liabilities		52	175	152
Total liabilities		6,743	10,559	19,185
Total equity and liabilities		6,828	10,808	19,528

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2004 (unaudited)

	Half-year ended	YTD	Half-year ended
Note	30.06.11	31.12.10	30.06.10
Revenue			
Loan interest	190	773	416
	190	773	416
Expenditure			
Note interest	(310)	(786)	(398)
Swap interest	-	-	-
Operational expenses	(44)	(112)	(50)
	(354)	(898)	(448)
Operating surplus	(164)	(125)	(32)
Realized and unrealized gain on swaps	-	-	-
Realized and unrealized loss on swaps	-	-	-
Realized and unrealized gains on loans	-	-	728
Realized and unrealized loss on loans	(3,687)	(7,939)	-
Realized and Unrealized gain on notes	3,687	7,939	-
Realized and Unrealized loss on notes	-	-	(728)
	-	-	-
Net result for the period/year	(164)	(125)	(32)

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(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 2010	1	373	374
Profit for the period	-	(125)	(125)
Total recognized income for the period to 30.06.2010	-	(125)	(125)
Issue of share capital	-	-	-
Dividend related to 2009	-	0-	0-
	-	-	-
Balance at 30 June 2010	1	248	249
Balance at 1 January 2011	1	248	249
Profit for the period	-	(164)	(164)
Total recognized income for the period to 30.06.2011	-	(164)	(164)
Dividend related to 2010	-	-	-
Balance at 30 June 2011	1	84	85

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2004

Note	Half-year ended 30.06.11	YTD 31.12.10	Half-year ended 30.06.10
Cash flows from operating activities			
Operating profit for the year/period	(164)	(125)	(32)
Increase/decrease in interest receivable	(2)	60	7
Increase/decrease in other receivable		5	3
Increase/decrease in accrued interest	(75)	(7)	(8)
Increase/decrease in creditors	(49)	(22)	(42)
Net cash generated from operating activities	<u>(290)</u>	<u>(89)</u>	<u>(72)</u>
Cash flows from investing activities			
Loans advanced	-	-	(728)
Swaps advanced	-	-	-
Notes advanced	-	-	728
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities			
Repayment of notes	-	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year/period	357	446	446
Cash and cash equivalents at the end of the period/year	<u>67</u>	<u>357</u>	<u>374</u>

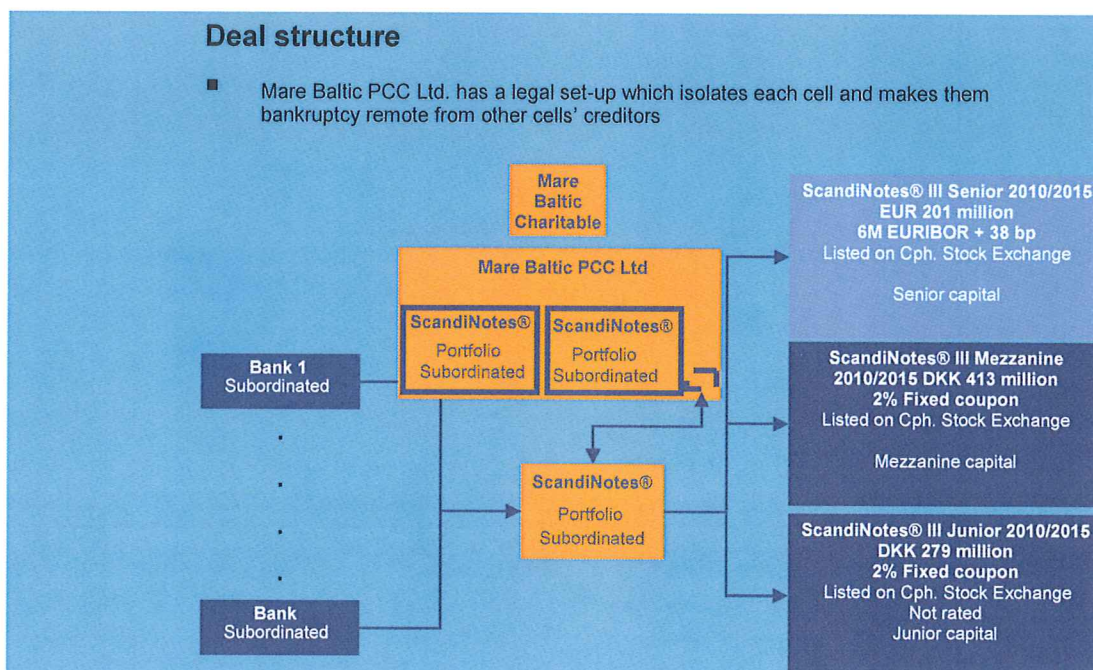
The notes on pages 39 to 62 form an integral part of these financial statements.

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



Mare Baltic PCC Limited – 30 June 2011

Statement for Cell 1 – 2005 (continued)

During Q1 and Q2 of 2011 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. The interest rate hedging agreement (Class A Swap) terminated on 1 November 2010. The only remaining hedging agreement is the Liquidity Swaption.

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

Due to the RA events, partial terminations and a principal payment the notional amount of EUR 201,600,000 was reduced to EUR 55,289,812. The loss for the Senior Note holders is thus, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes@III, 19,4 % of the investment.

Results and dividends

The results for the year are shown in the Income statement on page 27.

Mare Baltic PCC Limited – 30 June 2011

All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2005 (unaudited)

	Note	As at 30.06.11	As at 31.12.10	As at 30.06.10
ASSETS				
Non-current assets				
Loans receivable		16,593	48,650	159,687
Swaps	4	-	-	9,051
Total non-current assets		16,593	48,650	168,738
Current assets				
Derivative financial instruments	4	5	17	
Interest receivable	5	591	450	1,109
Other receivable		1	1	14
Cash and cash equivalents	6	572	647	540
Total current assets		1,169	1,115	1,663
Total assets		17,762	49,765	170,401
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		1,229	748	352
Total equity		1,230	749	353
LIABILITIES				
Non-current liabilities				
Notes issued	8	16,156	48,667	168,738
Total non-current liabilities		16,156	48,667	168,738
Current liabilities				
Creditors		1	84	18
Accrued interest	9	375	265	1,294
Total current liabilities		376	349	1,312
Total liabilities		16,532	49,016	170,050
Total equity and liabilities		17,762	49,765	170,401

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2005 (unaudited)

	Half-year ended	YTD	Half-year ended
Note	30.06.11	31.12.10	30.06.10
Revenue			
Loan interest	1,237	3,651	1,931
	1,237	3,651	1,931
Expenditure			
Note interest	(708)	(2,298)	(1,358)
Swap interest	(2)	(672)	(417)
Operational expenses	(46)	(166)	(38)
	-756	(3,136)	(1,813)
Operating surplus	481	515	118
Realized and unrealized gain on swaps	5	-	568
Realized and unrealized loss on swaps	(17)	(8,466)	-
Realized and unrealized gain on loans	-	-	-
Realized and unrealized loss on loans	(27,057)	(26,216)	(12,179)
Realized and unrealized gain on notes	27,069	34,682	11,611
Realized and unrealized loss on notes	-	-	-
	-	-	-
Net result for the period/year	481	515	118

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(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 2010	1	233	234
Profit for the period	-	515	515
Total recognized income for the period to 30.06.2010	-	748	749
Issue of share capital	-	-	-
Dividend related to 2009	-	-	-
Balance at 30 June 2010	1	748	749
Balance at 1 January 2011	1	748	749
Profit for the period		481	481
Total recognized income for the period to 30.06.2011		1,229	1,230
Issue of share capital			
Dividend related to 2010			
Balance at 30 June 2011	1	1,229	1,230

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2005

	Half-year ended Note 30.06.11	YTD 31.12.10	Half-year ended 30.06.10
Cash flows from operating activities			
Operating profit for the year/period	481	515	118
Increase/decrease in interest receivable	(141)	703	44
Increase/decrease in other receivable	-	8	(5)
Increase/decrease in accrued interest	110	(1,072)	(43)
Increase/decrease in creditors	(83)	(4)	(70)
Net cash generated from operating activities	<u>367</u>	<u>150</u>	<u>44</u>
Cash flows from investing activities			
Loans advanced	5,000	97,000	12,179
Swaps advanced	-	9,369	(568)
Notes advanced	-	-	(11,611)
Net cash used in investing activities	<u>5,000</u>	<u>106,369</u>	<u>-</u>
Cash flows from financing activities			
Repayment of notes	(5,442)	(106,369)	-
Net cash flows from financing activities	<u>(5,442)</u>	<u>(106,369)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents			
	<u>(75)</u>	<u>150</u>	<u>44</u>
Cash and cash equivalents at the beginning of the year/period	647	497	497
Cash and cash equivalents at the end of the period/year	<u>572</u>	<u>647</u>	<u>541</u>

The notes on pages 39 to 62 form an integral part of these financial statements.

Statement for Cell 1 – 2006 (unaudited)

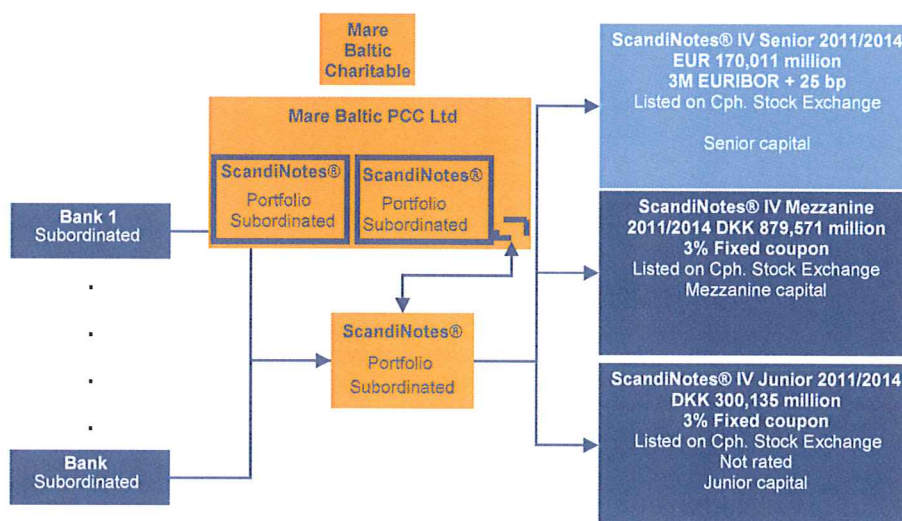
Activities

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 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

Statement for Cell 1 – 2006 (continued)

During Q1 and Q2 of 2011 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. This notional amount has been reduced further to DKK 528,166,376 after the bankruptcy of Amagerbanken Aktieselskab as of 7 February 2011 and to DKK 498,843,898 after Fjordbank Mors A/S' default in June 2011. 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 43,45%. The loss for the mezzanine note holders is subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes®IV, 43,45% of the investment.

Results and dividends

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

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – CELL 1 – 2006 (unaudited)

	Note	As at 30.06.11	As at 31.12.10	As at 30.06.10
ASSETS				
Non-current assets				
Loans receivable		138,557	168,308	217,700
Swaps	4	16,236	73	16,964
Total non-current assets		154,793	168,381	234,664
Current assets				
Derivative financial instruments	4	-	14,888	-
Interest receivable	5	2,445	1,328	1,109
Other receivable		8	1	14
Cash and cash equivalents	6	940	898	540
Total current assets		3,393	17,115	1,663
Total assets		158,186	185,496	170,401
EQUITY				
Called up share capital	7	1	1	1
Retained earnings		1,592	744	352
Total equity		1,593	745	353
LIABILITIES				
Non-current liabilities				
Notes issued	8	154,021	176,974	168,738
Swaps	4	772	5,364	-
Total non-current liabilities		154,793	182,338	168,738
Current liabilities				
Derivative financial instruments	4		931	
Creditors		75	88	16
Accrued interest	9	1,725	1,394	1,294
Total current liabilities		1,800	2,413	1,310
Total liabilities		156,593	184,751	170,048
Total equity and liabilities		158,186	185,496	170,401

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Income statement – CELL 1 – 2006 (unaudited)

	Half-year ended	YTD	Half-year ended
Note	30.06.11	31.12.10	30.06.10
Revenue			
Loan interest	3,006	6,730	3,455
	3,006	6,730	3,455
Expenditure			
Note interest	(2,259)	(4,702)	(2,250)
Swap interest	215	(1,743)	(1,009)
Operational expenses	(114)	(163)	(45)
	(2,158)	(6,608)	(3,304)
Operating surplus	848	122	151
Realized and unrealized gain on swaps	6,830	-	3,676
Realized and unrealized loss on swaps	(28)	(3,108)	-
Realized and unrealized gain on loans	-	-	-
Realized and unrealized loss on loans	(43,975)	(55,122)	(5,731)
Realized and unrealized gain on notes	37,173	58,230	2,055
Realized and unrealized loss on notes	-	-	-
	-	-	-
Net result for the period/year	848	122	151

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(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 2010	1	622	623
Profit for the period	-	122	122
Total recognized income for the period to 30.06.2010	-	122	122
Issue of share capital	-	-	-
Balance at 30 June 2010	1	744	745
Balance at 1 January 2011	1	744	745
Profit for the period	-	848	848
Total recognized income for the period to 30.06.2011	-	848	848
Issue of share capital	-	-	-
Balance at 30 June 2011	1	1,592	1,593

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – CELL 1 – 2006

	Half-year ended Note 30.06.11	YTD 31.12.10	Half-year ended 30.06.10
Cash flows from operating activities			
Operating profit for the year/period	848	122	151
Increase/decrease in interest receivable	(1,118)	97	(1,475)
Increase/decrease in other receivable	(6)	7	(1)
Increase/decrease in accrued interest	331	18	1,455
Increase/decrease in creditors	(12)	(24)	(80)
Net cash generated from operating activities	<u>43</u>	<u>220</u>	<u>50</u>
Cash flows from investing activities			
Loans advanced	-	-	5,731
Swaps advanced	-	-	(3,676)
Notes advanced	-	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>2,055</u>
Cash flows from financing activities			
Repayment of notes	-	-	(2,055)
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>(2,055)</u>
Net (decrease)/increase in cash and cash equivalents			
	43	220	50
Cash and cash equivalents at the beginning of the year/period	<u>898</u>	<u>678</u>	<u>678</u>
Cash and cash equivalents at the end of the period/year	<u>941</u>	<u>898</u>	<u>728</u>

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Non-cellular (unaudited)

		As at 30.06.11	As at 31.12.10	As at 30.06.10
	Note			
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 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Income statement – Non-cellular (unaudited)

	Half-year ended 30.06.11	YTD 31.12.10	Half-year ended 30.06.10
Note			
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 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(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 2010	10	-	10
Profit for the period	-	-	-
Total recognized income for the period to 30.06 2010	-	-	-
Issue of share capital	-	-	-
Dividend related to 2008	-	-	-
Balance at 30 June 2010	10	-	10
Balance at 1 January 2011	10	-	10
Profit for the period	-	-	-
Total recognized income for the period to 30.06 2011	-	-	-
Issue of share capital	-	-	-
Balance at 30 June 2011	10	-	10

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Non-cellular

	Half-year ended 30.06.11	YTD 31.12.10	Half-year ended 30.06.10
Note			
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	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Loans advanced	-	-	-
Swaps advanced	-	-	-
Notes advanced	-	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities			
Issue of notes	-	-	-
Proceeds from the issue of ordinary share capital	-	-	-
Dividends paid	-	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	-	-	-
Cash and cash equivalents at the beginning of the year/period	<u>10</u>	<u>10</u>	<u>10</u>
Cash and cash equivalents at the end of the period/year	<u>10</u>	<u>10</u>	<u>10</u>

The notes on pages 39 to 62 form an integral part of these financial statements.

Mare Baltic PCC Limited – 30 June 2011

Notes to the financial statements for the six month to 30th June 2011

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.

Mare Baltic PCC Limited – 30 June 2011

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.

Mare Baltic PCC Limited – 30 June 2011

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)

Mare Baltic PCC Limited – 30 June 2011

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 2011	Fair value 30 June 2010
<i>Cell 1 - 2004</i>						
Floor transaction	01.11.2012	DKK 60.000.000			-	-
Non current assets					-	-

Mare Baltic PCC Limited – 30 June 2011

(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 2011	Fair value 30 June 2010
<i>Cell 1 - 2005</i>						
EUR 58,500,000 Class A Floating Rate Limited Recourse Secured Senior Notes due 2015	01.05. 2011	Floating EUR 58,500,000	(receive)	2,062	5	-
	01.05. 2011	Floating EUR 58,500,000	(pay)	2,055		
					5	-
Non current assets					5	9,051
Non current liabilities					-	-

Mare Baltic PCC Limited – 30 June 2011

(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 2011	Fair value 30 June 2010
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
DKK 498,843,898 Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17/11 2011	Fixed DKK 498,843,898	(receive)	3,000 %		
DKK 412,536,651 Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17/11 2011	Floating DKK 412,536,651 for the period 16/11/2010-16/05/2011	(pay)	2.9424 % for the period 16/11/2010-16/05/2011		
DKK 382,546,651 Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17/11 2011	Floating DKK 382,546,651 for the period 16/05/2011-16/11/2011	(pay)	3.2018 % for the period 16/05/2011-16/11/2011		
Floor	17/11 2014	DKK 765,000,000	(receive)		16,191	-
DKK Liquiswaption	17/11 2014	DKK 1,268,112,049	(pay)		45	
					16,236	16,964

Mare Baltic PCC Limited – 30 June 2011

EUR Class A	17.11	Floating EUR	(receive)	-	-
Floating Rate	2011	170,011,000		(772)	(1,515)
Limited	17.11	Floating DKK	(pay)		
Recourse	2011	1,268,112,049			
Secured					
Senior Notes					
due 2014				(772)	(1,515)
---Non current assets				16,236	16,964
Non current liabilities				(772)	(1,515)

Aggregate all cells	30.06.11	30.06.10
Non current assets	16,236	26,015
Current assets	5	-
Non current liabilities	(772)	(1,515)

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

5. Interest receivable

	As at 30.06.11	As at 31.12.10	As at 30.06.10
Cell 1 – 2004			
Interest receivable, loans	67	65	118
Interest receivable, swaps	-	-	-
	67	65	118
Cell 1 – 2005			
Interest receivable, loans	390	448	641
Interest receivable, swaps	201	2	468
	591	450	1,109
Cell 1 – 2006			
Interest receivable, loans	782	737	899
Interest receivable, swaps	1,664	591	2,001
	2,446	1,328	2,900
	3,104	1,843	4,127

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Cash and cash equivalents

	As at 30.06.11	As at 31.12.10	As at 30.06.10
Cell 1 – 2004			
Royal Bank of Scotland International Guernsey	1	1	7
HSH Nordbank – Denmark (current account)	-	-	71
Nordea-Denmark	66	356	302
	67	357	374
Cell 1 – 2005			
Royal Bank of Scotland International Guernsey	1	1	1
HSH Nordbank – Denmark (current account)	-	-	-
Nordea-Denmark	571	646	539
	572	647	540
Cell 1 – 2006			
Royal Bank of Scotland International Guernsey	1	1	1
HSH Nordbank – Denmark (current account)	-	-	-
Nordea-Denmark	939	897	726
	940	898	727
Non-cellular			
Royal Bank of Scotland International Guernsey	10	10	10
	10	10	10
	1,590	1,912	1,651

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

7. Called up share capital

	<u>As at 30.06.11</u>	<u>As at 31.12.10</u>	<u>As at 30.06.10</u>
Cell 1 – 2003			
1,000 ordinary shares of EUR 1 each	-	-	-
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
	<u>13</u>	<u>13</u>	<u>13</u>

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.

Mare Baltic PCC Limited – 30 June 2011

All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued

	As at 30.06.11		As at 30.06.10	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	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 77,675	6,691	DKK '000 152,675	19,033
Series 2004-1 DKK 133,600,000 ScandiNotes 2 3% limited recourse secured asset backed notes due 2012 (junior)	DKK '000 -	-	DKK '000 120,000	-
Total		6,691		19,033

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

	As at 30.06.11		As at 30.06.10	
	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		DKK '000	
	55,290	16,156	196,738	168,738
Series 2015-1 DKK				
413,370,000 ScandiNotes 3				
2 % limited recourse secured				
asset backed notes due 2015				
(mezzanine)	DKK '000		EUR '000	
	-	-	376,110	-
Series 2015-1 DKK				
279,050,000 ScandiNotes 3				
2 % limited recourse secured				
asset backed notes due 2011				
(junior)	DKK '000		DKK '000	
	-	-	209,248	-
Total		16,156		168,738

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.

Mare Baltic PCC Limited – 30 June 2011

All amounts in EUR thousands unless otherwise stated

Notes to the financial statements (continued)

8. Notes issued (continued)

	As at 30.06.11		As at 30.06.10	
	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		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		DKK '000	
	497,400	24,744	727,159	71,159
Series 2006-1 EUR				
170,011,000 ScandiNotes 4				
3,843 % limited recourse				
secured asset backed notes due				
2014 (senior)				
	EUR '000		EUR '000	
	170,011	129,277	170,011	161,990
Total		154,021		233,149

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.

Mare Baltic PCC Limited – 30 June 2011

(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

	<u>As at 30.06.11</u>	<u>As at 31.12.10</u>	<u>As at 30.06.10</u>
Cell 1 – 2004			
Interest payable, notes	52	127	125
Interest payable, swaps	-		-
	<u>52</u>	<u>127</u>	<u>125</u>
Cell 1 – 2005			
Interest payable, notes	172	263	705
Interest payable, swaps	204	2	589
	<u>376</u>	<u>265</u>	<u>1,294</u>
Cell 1 – 2006			
Interest payable, notes	1,754	623	2,001
Interest payable, swaps	(30)	771	829
	<u>1,724</u>	<u>1,394</u>	<u>2,830</u>
	<u>2,152</u>	<u>1,786</u>	<u>4,249</u>

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

Mare Baltic PCC Limited – 30 June 2011

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.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

12.5 Categories of financial instruments (All cells aggregated)

	As at 30.06.11		As at 30.06.10	
	Carrying amount	Fair Value	Carrying amount	Fair value
Loans receivable	161,742	161,742	396,420	396,420
Swaps	16,236	16,236	26,015	26,015
Financial assets measured at fair value via the income statement	<u>177,978</u>	<u>177,978</u>	<u>422,435</u>	<u>422,435</u>
Other receivables	10	10	26	26
Cash and cash equivalents	1,589	1,589	1,651	1,651
Loans and receivables	<u>1,599</u>	<u>1,599</u>	<u>1,677</u>	<u>1,677</u>
Notes	176,868	178,868	420,920	420,920
Swaps	16,236	16,236	1,515	1,515
Financial liabilities measured at fair value via the income statement	<u>193,104</u>	<u>193,104</u>	<u>422,435</u>	<u>422,435</u>
Creditors	76	76	75	75
Accrued interest	2,152	2,152	4,249	4,249
Financial liabilities measured at amortised cost	<u>2,228</u>	<u>2,228</u>	<u>4,324</u>	<u>4,324</u>

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

12.6 Fair value hierarchy (All cells aggregated)

As at 30.06.11				
	Quoted prices (level 1)	Observable inputs (level 2)	Non- observable inputs (level 3)	Total
Financial assets				
Loans receivable	-	-	161,842	161,842
Swaps	-	16,236	-	16,236
Total financial assets	-	16,236	16,842	178,078
Financial liabilities				
Notes	-	-	176,868	176,868
Swaps	-	772	-	772
Total financial liabilities	-	772	176,868	177,640
As at 30.06.10				
	Quoted prices (level 1)	Observable inputs (level 2)	Non- observable inputs (level 3)	Total
Financial assets				
Loans receivable	-	-	396,420	396,420
Swaps	-	26,015	-	26,015
Total financial assets	-	26,015	396,420	422,435
Financial liabilities				
Notes	-	-	420,920	420,920
Swaps	-	1,515	-	1,515
Total financial liabilities	-	1,515	420,920	422,435

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.

Mare Baltic PCC Limited – 30 June 2011

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.

Mare Baltic PCC Limited – 30 June 2011

(All amounts in EUR thousands unless otherwise stated)

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

	As at 30.06.11	
	Financial assets (level 3)	Financial liabilities (level 3)
Opening at 1 January 2011	227,341	236,025
Gains and losses recognised in income statement	60,443	60,443
Loans repaid	(43,000)	-
Repayment of notes	-	(5,442)
Other transfers to and from level 3	-	-
Closing at 30 June 2011	244,784	291,026

	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

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