

Kalmar Structured Finance A/S Interim report 30 June 2007

Kalmar Structured Finance A/S' pre-tax profit for the first six months of 2007 came to DKK 470,000 while the post-tax profit stood at DKK 352,000.

Financial highlights					
(DKK '000)	2005		2006		2007
	(1/1-30/6)	(1/7-31/12)	(1/1-30/6)	(1/7-31/12)	(1/1-30/6)
Profit and loss account					
Net interest income	368	486	551	614	792
Securities and foreign exchange result	-	-	-	-	-
Profit before expenses	368	486	551	614	792
Staff and administrative expenses	180	241	287	311	322
Profit before tax	188	245	264	303	470
Tax	77	44	74	85	118
Profit after tax	111	201	190	218	352
Balance sheet					
Balances due from credit institutions and central banks	683,344	1,030,321	1,035,445	1,363,040	1,035,277
Total assets	735,200	1,080,168	1,064,370	1,542,349	1,460,280
Notes in issue	672,953	1,019,614	1,024,781	1,447,042	1,112,977
Liabilities	725,075	1,069,837	1,054,102	1,531,863	1,449,878
Shareholders' funds	10,125	10,331	10,268	10,486	10,402
Key Figures					
Equity Ratio	1.38%	0.96%	0.96%	0.68%	0.71%
Return on Equity	1.09%	1.97%	1.84%	2.10%	3.37%
Employees	-	-	-	-	-

Kalmar Structured Finance A/S is as a Saving Institution governed by the Danish Financial Business Act ("Lov om finansiel virksomhed"). Accordingly, the interim results have been prepared in accordance with the Executive Order on the Presentation of Accounts by Credit Institutions, Savings Institutions and Specialised Credit Institutions.

The above-mentioned key financial data are determined according to the same accounting policies as in the latest financial statement.

Review of activities

Kalmar Structured Finance began its activities in 1995 with the purchase of mortgage bonds and the issue of collateralized mortgage obligations (CMOs), in the form of secured notes listed on the Copenhagen Stock Exchange. On the October 2002 payment date the last outstanding CMOs issued by the company were redeemed.

Subsequently, the company had no operational activity until 8 June 2004 where the company resumed activity by the first issue of Credit Linked Notes (CLN). Since then the company has made three issuances of CLN on 3 May 2006, 31 October 2006 and 15 December 2006 respectively. All issued notes have been listed on Copenhagen Stock Exchange and most of the issued notes have received a rating from Moody's Investors Service Limited.

Simultaneously with each issue of CLN the company entered into a Credit Default Swap (CDS) agreement with Nordea Bank Finland plc pursuant to which the company acquired a credit risk on a portfolio of underlying bonds. This credit risk is directly transferred to the issued CLN in such way that any payment made to the swap counterpart will cause a similar reduction in the nominal value of issued notes starting with the lowest ranking tranche. The proceeds from the bond issue are placed on pledged deposit accounts in Nordea Bank Denmark A/S as security for the obligations in the swap agreement. Any payment to the swap counterpart will reduce the cash balance on the deposit accounts.

The CDS agreements each pay a fixed and an additional fixed quarterly premium to the company of which the additional fixed premiums are independent of the nominal balances of the CDS agreements. At the same time the company receives a quarterly interest on each of the pledged deposit accounts. The fixed premiums from the CDS agreements and the interests from the deposit accounts are used to pay interests on the issued CLN. The additional fixed premiums belong to the company, which enables the company to defray administrative expenses etc.

In connection with the issuance of CLN IV the proceeds from the bonds issued together with an upfront payment received from the Credit Default Swap were used partly to enter into a zero-coupon swap (approx. 69% of the proceeds) and partly to purchase an "Interest Only" CLN (approx. 31% of the proceeds). At the maturity date of CLN IV the company will receive from the zero-coupon swap an amount equal to the principal needed to redeem the issued CLN IV (or make payments to the CDS counterparty in case of

outstanding liabilities hereto). Payments (interests and redemptions) from the purchased “Interest Only” CLN will be used as payable interests on the issued CLN IV.

In connection with the payment date on 8 June 2007 the issued notes in the first issuance of CLN on 8 June 2004 were prepaid because Nordea Bank Finland plc. had exercised its right to call the underlying Credit Default Swap agreements. As a result the balances on deposits connected to this issue were used to redeem the issued CLN I at par.

As of 30 June 2007 there has been no occurrence of events triggering payments to the CDS agreements, hence the balances of the issued CLNs remain unchanged.

The CDS agreements concluded and the purchased “Interest Only” CLN together with the associated return accounts of the issues have been pledged in favour of the bond investors. The deposit accounts together with the zero-coupon swap have been pledged in favour of the swap counterparty ranking first and the bond investors ranking second. Bond investors are only entitled to make claims against the assets pledged.

Future developments

No event has occurred which has caused the company to make payments to the Credit Default Swap. Consequently, the nominal balances of issued CLN have not changed since the issue date.

The result from the first six months of 2007 is as expected. The total result for 2007 is expected to be positive and on a higher level than that posted for 2006, which is in line with the expectations stated in the financial statement for 2007. Additional issues in the second half of 2007 are expected to have a positive effect on the company’s profit performance.

Profit and loss account

Note	(DKK '000)	2006		2007
		(1/1-30/6)	(1/7-31/12)	(1/1-30/6)
1	Interest receivable	29,000	33,027	45,565
2	Interest payable	28,449	32,413	44,773
	Net interest income	551	614	792
3	Securities and foreign exchange result	-	-	-
4	Staff and administrative expenses	287	311	322
	Profit before tax	264	303	470
5	Tax	74	85	118
	Profit after tax	190	218	352

Balance sheet

<u>Note</u>	(DKK '000)	2006		2007
		(30/6)	(31/12)	(30/6)
Assets				
6	Balance due from credit institutions and central banks	1,035,445	1,363,040	1,035,277
7	Derivatives	21,981	174,977	405,962
8	Other assets	6,944	4,332	19,041
	Total assets	1,064,370	1,542,349	1,460,280
Liabilities				
9	Notes in issue	1,024,781	1,447,042	1,112,977
10	Derivatives	21,981	79,977	317,302
11	Other liabilities	7,340	4,844	19,599
Shareholders' funds				
	Share capital	5,000	5,000	5,000
	Share premium account	4,997	4,997	4,997
	Profit retained	271	53	405
	Dividend proposed	-	436	-
	Total shareholders' funds	10,268	10,486	10,402
	Total liabilities	1,064,370	1,542,349	1,460,280
12	Contingent liabilities			
13	Closely related parties			
14	Financial risk			

Shareholders' funds

(DKK '000)	2006		2007
	(1/1-30/6)	(1/7-31/12)	(1/1-30/6)
Share capital at start of period	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Share capital at end of period	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Share premium account at start of period	<u>4,997</u>	<u>4,997</u>	<u>4,997</u>
Share premium account at end of period	<u>4,997</u>	<u>4,997</u>	<u>4,997</u>
Retained profits at start of period	334	271	489
Dividend paid	- 253	-	- 436
Retained profit for the period	190	- 218	352
Dividend proposed	-	436	-
Retained profit at end of period	<u>271</u>	<u>489</u>	<u>405</u>
Total shareholder's funds at end of period	<u>10,268</u>	<u>10,486</u>	<u>10,402</u>

Note (DKK '000)	2006		2007
	(1/1-30/6)	(1/7-31/12)	(1/1-30/6)
1. Interest receivable			
Interest on balance due from credit institutions and central banks	14,549	15,469	19,048
Interest on purchased bonds	-	245	2,685
CDS premium	14,451	17,313	23,832
Total interest receivable	29,000	33,027	45,565
2. Interest payable			
Interest on notes in issue	27,795	31,696	43,894
CDS interest	654	717	879
Total interest payable	28,449	32,413	44,773
3. Securities and foreign exchange result			
Currency, gains on exchange rate adjustments	-	9,250	6,023
Derivatives, gains on market value adjustments	22,311	44,014	250,034
Currency, losses on exchange rate adjustments	-	9,250	6,023
Derivatives, losses on market value adjustments	22,311	44,014	250,034
Total revaluation	0	0	0
4. Staff and administrative expenses			
Salaries and emoluments to the Supervisory Board	71	113	64
Other administrative expenses	216	198	258
Total staff and administrative expenses	287	311	322

Other administrative expenses include DKK 38,000 (DKK 50,000 and DKK 40,000 respectively in first and second part of 2006) in remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit. 7,000 DKK has been paid for services other than the statutory audit (DKK 19,000 and DKK 8,000 respectively for first and second part of 2006).

With the exception of the Management Board, the company employed no staff.

Note (DKK '000)	2006		2007
	(1/1-30/6)	(1/7-31/12)	(1/1-30/6)
5. Tax			
Estimated tax on the period's income	74	85	118
Deferred tax	-	-	-
Total tax	74	85	118

Tax on profit for the period

Tax on operating profit can be explained as follows:

25% calculation (2006: 28%) of operating profit before tax	74	85	118
Total tax	74	85	118

The company and all subsidiaries of Collateralized Mortgage Obligations Denmark Fonden are taxed on a pooled basis. Corporation tax is charged to the companies in proportion to their taxable income (full distribution).

6. Balances due from credit institutions and central banks

General account	10,664	10,998	10,960
Deposits	1,024,781	1,026,924	693,626
Zero-coupon swap	-	325,118	330,691
Total balances due from credit institutions and central banks	1,035,445	1,363,040	1,035,277

The balance on Deposits equals the nominal balance of issued CLN I (reduced to zero per 30 June 2007), II and III notes as the proceeds on the issue dates (equal to the nominal balances) are placed on Deposit accounts in Nordea Bank Danmark A/S. The deposit accounts are pledged as a first priority pledge for the benefit of the swap counterparties and as a second priority pledge for the benefit of the holders of issued notes.

The issued CLN IV notes are backed partly by a zero-coupon swap with Nordea Bank Finland plc., which the company entered into on the notes issuance date. The zero-coupon swap is booked and measured as a deposit because it has the same characteristics. The nominal value of the zero-coupon swap is pledged as a first priority pledge for the benefit of the swap counterparties and as a second priority pledge for the benefit of the holders of issued notes.

<u>Note</u> (DKK '000)	2006 (30/6)	2006 (31/12)	2007 (30/6)
7. Derivatives			
Credit Default Swaps	3,461	28,252	270,073
“Interest Only” CLN	-	145,721	135,889
Embedded derivatives	18,520	1,004	-
Total derivatives	<u>21,981</u>	<u>174,977</u>	<u>405,962</u>

Kalmar Structured Finance A/S has entered into a number of Credit Default Swaps with Nordea Bank Finland plc. At 30 June 2007 the Credit Default Swaps had a positive market value of DKK 270,073,000 (at 30 June 2006: DKK 3,461,000 and at 31 December 2006: DKK 28,252,000).

In connection with the issue of CLN IV part of the proceeds were used to purchase an “Interest Only” CLN (issued by Empyrean Finance (Ireland) plc.). This bond is booked and measured similar to the other Credit Default Swaps entered into by the company.

At the same time the company issued CLNs, which can be split into bonds and embedded derivatives that equal the before-mentioned Credit Default Swaps. At 30 June 2007 the embedded derivatives did not have a positive market value (at 30 June 2006: DKK 18,520,000 and at 31 December 2006: DKK 1,004,000).

8 Other assets

Interest receivable	4,470	3,114	17,041
Premium receivable	2,474	1,218	2,000
Total other assets	<u>6,944</u>	<u>4,332</u>	<u>19,041</u>

9. Notes in issue

Includes the following issues:	nom. value	nom. value	nom. value
First issue on 8 June 2004	328,222	328,042	-
Second issue on 3 May 2005	348,129	347,437	346,695
Third issue on 31 October 2005	348,430	351,446	346,931
Forth issue on 15 December 2006	-	420,117	419,351
Total notes in issue	<u>1,024,781</u>	<u>1,447,042</u>	<u>1,112,977</u>

<u>Note</u> (DKK '000)	2006	2007
	(30/6)	(31/12) (30/6)

The issued bonds (CLN's) are listed at Copenhagen Stock Exchange. At 31 June 2007 the market value of bonds totalled DKK 1,112,977,000 (at 30 June 2006: DKK 1,024,968,000 and at 31 December 2006: DKK 1,439,918).

The bonds are issued without any direct interest against Kalmar Structured Finance A/S. The noteholders have only recourse to specified security, which consists partly of a second priority pledge in the balance on the Deposit accounts in Nordea Bank Danmark A/S and a first priority pledge in the proceeds hereof and partly of a second priority pledge in the nominal value of the zero-coupon swap with Nordea Bank Finland plc.

The bonds redeem at maturity. In case payments are to be made to the Credit Default Swap counterparty the nominal balance of issue bonds will be reduced with a similar amount. For further details please see the Offering Circular.

10. Derivatives

Credit Default Swaps	18,520	51,725	47,229
Embedded derivatives	3,461	28,252	270,073
Total derivatives	21,981	79,977	317,302

Kalmar Structured Finance A/S has entered into a number of Credit Default Swaps with Nordea Bank Finland plc. At 30 June 2007 the Credit Default Swaps had a negative market value of DKK 47,229,000 (at 30 June 2006: DKK 18,520,000 and at 31 December 2006: DKK 51,725,000).

At the same time the company issued CLNs, which can be split into bonds and embedded derivatives that equal the before-mentioned Credit Default Swaps. At 30 June 2007 the embedded derivatives had a negative market value of DKK 270,073,000 (at 30 June 2006: DKK 3,461,000 and at 31 December 2006: DKK 28,252,000).

11. Other liabilities

Interest payable	6,908	4,273	19,013
Tax payable	173	159	277
Other	259	412	309
Total other liabilities	7,340	4,844	19,599

Note (DKK '000)

12. Contingent liabilities

Together with all subsidiaries under Collateralized Mortgage Obligations Denmark Fonden the company is jointly and severally liable for any tax on income taxed on a pooled basis.

13. Closely related parties

Parties closely related to the company include Collateralized Mortgage Obligations Denmark Fonden and its subsidiaries as well as the Supervisory Board and Management Board of the company. Related party transactions take place on market terms. Apart from the emoluments to the Supervisory Board, no transactions with the Supervisory Board or the Management Board have been carried out during the first part of 2007, and no major transactions have otherwise been effected with parties closely related to the company in the first part of 2007.

14. Financial risks

As regards the company's major financial assets and liabilities at 30 June 2007 the below contractual review or maturity dates apply, depending on whichever comes first:

(DKK '000,000)	Review/maturity date			of which fixed rate	Yield %
	0-1 year	1-5 year	>5 year		
Balances due from credit institutions etc	11.0	-	-	-	3.50%
Deposit	-	694.0	331.0	156.9	3.96%
Derivatives	-	-	88.0	-	3.30%
Other assets	19.0	-	-	19.0	-
Bonds in issue, nominal value	-	- 694.0	- 419.0	- 156.9	7.26%
Other liabilities	- 19.0	-	-	- 19.0	-
Total financial risks	11.0	-	-	-	-

* Prepared with the assumption of no prepayment

The company has no currency positions in relation to existing or expected future financial assets or liabilities. Derivatives are not employed at present.