

Mare Baltic PCC Limited
Interim report

Announcement of results for the period
1 January to 30 June 2015
(Unaudited)

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Directors:

David Gary Gough

Wayne Bulpitt

Secretary:

Newhaven Secretaries
(Channel Islands) Limited

Auditor:

KPMG Channel Islands Limited
Chartered Accountants
Gategny Court
Gategny Esplanade
St. Peter Port
Guernsey
GY1 1WR

Registered office:

PO Box 212
St Martins House
Le Bordage
St. Peter Port
Guernsey
GY1 4JE

Directors' report

The Directors submit their interim report and the financial statements for Mare Baltic PCC Limited (the "Company") for the period ended 30 June 2015 (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 herefrom. 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 and launched the first issue under the Mare Baltic PCC Limited program on 4 July 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 closed in August 2009.

The second cell, Cell 1- 2004 (ScandiNotes® II), likewise based on subordinated capital for Danish banks, was launched on 1 November 2004 under the Mare Baltic PCC Limited program. This issue was like ScandiNotes® I divided into two tranches, a Junior Tranche (ISIN DK0003454825) of DKK 133,600,000 (approx. 15% of the issue) and a Senior Tranche (ISIN DK0003454742) 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. On the first possible redemption date for participating banks in ScandiNotes® II all banks but two (Østjydsk Bank and Amagerbanken Aktieselskab) decided to exercise their option to redeem their term loan except for the banks which had RA events previously¹. As a consequence of the RA events the redemption on 1 November 2009 amounted to DKK 575,700,000 equaling 79% of the Senior Tranche at par. The amount was derived from the underlying swap and the redeemed loans. The Senior Tranche after 1 November 2009 had a nominal amount of DKK 152,675,000. This nominal amount was reduced to DKK 77,675,000 after the bankruptcy of Amagerbanken Aktieselskab on 7 February 2011. The allocation of all losses of defaulted participating banks resulted in a further reduction of the nominal amount to DKK 61,275,000 as of 31 December 2011. The Senior Tranche had been serviced by a single underlying loan of DKK 60,000,000. This loan was repaid and the Senior Tranche was therefore finally redeemed on 1 November 2012. The cell was closed in December 2013.

¹ RA events are understood here as circumstances in which there is a default or deferral by any of the borrowers of any interest or installments under the Repackaging Assets when due or any borrower has stated that it intends to defer or repudiate its obligations for whatever reason in respect of the Repackaging Assets.

Directors' report (continued)

Activities (continued)

The third cell, Cell – 1 2005 (ScandiNotes® III), was like ScandiNotes® I and ScandiNotes® II, based on subordinated capital for financial institutions, but for this issue a wider geographical mix of subordinated loans from Nordic Institutions was purchased. The Issue was launched on 1 November 2005. This Issue was divided into three tranches, a Junior Tranche (ISIN DK0030015391) of DKK 279,050,000, a Mezzanine Tranche (ISIN DKK0030015201) of DKK 413,370,000 and a Senior Tranche (ISIN DK0030015128) of EUR 201,600,000. The Mezzanine Tranche was originally rated Baa2 by Moody's and the Senior Tranche was originally rated Aa2 by Moody's. The current rating of the ScandiNotes® III Mezzanine Tranche is C and of the ScandiNotes® III Senior Tranche is 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, the redemption on 1 November 2010 amounted to EUR 106,368,600 equaling 53% of the Senior Tranche. The amount was derived from the underlying swap and the redeemed loans. The Senior Tranche after 1 November 2010 had a nominal amount of EUR 95,231,400 and the Mezzanine and Junior Tranches had a nominal amount of DKK 0. This nominal amount has been reduced in 2011 further to EUR 68,231,400 after the bankruptcy of Amagerbanken Aktieselskab. Furthermore on 5 May 2011 the Senior Tranche was partially redeemed by a principal payment of EUR 441,588 and additionally by EUR 5,000,000 because one remaining participating bank decided to prepay its loan according to the underlying loan documentation. Afterwards, the nominal amount had been further reduced to EUR 45,289,812 after the bankruptcy of Fjordbank Mors A/S and Max Bank A/S. On 2 May 2012 the Senior Tranche was further partially redeemed down to EUR 40,289,812. After the default of Tønder Bank A/S in November 2012 and Sparekassen Lolland A/S in January 2013 the amount left in the Senior Tranche was reduced to EUR 20,289,812. On 1 November 2013 the Senior Tranche was partially redeemed down to EUR 16,789,812. The nominal amount is serviced by an underlying loan amounting to EUR 12,500,000. After 1 November 2010 the Notes retain floating interest on a semi-annual basis, payable on 1 May and 1 November each year, according to the prospectus.

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 on 17 November 2006. Like ScandiNotes® III, the issue was divided into three tranches, a Junior Tranche (ISIN DK0030039730) of DKK 300,135,000, a Mezzanine Tranche (ISIN DK0030039656) of DKK 879,571,000 and a Senior Tranche (ISIN DK0030039573) of EUR 170,011,000. The Mezzanine Tranche was originally rated Baa2 by Moody's and the Senior Tranche was originally rated AAA by Moody's. The current rating of the ScandiNotes® IV Mezzanine Tranche is Ca and of ScandiNotes® IV Senior Tranche is B3. The Junior Tranche suffered a total loss after the defaults of EBH Bank A/S and Roskilde Bank A/S. The nominal amount of the Mezzanine Tranche was reduced due to RA events in the past down to DKK 727,400,000 and in 2011 further to DKK 326,106,930 after the bankruptcy of Amagerbanken Aktieselskab, Fjordbank Mors A/S and Max Bank A/S. After the default of Sparekassen Østjylland in April 2012 and Tønder Bank A/S in November 2012 the amount left in the Mezzanine Tranche was reduced to DKK 276,106,930. On the first possible redemption date for participating banks in ScandiNotes® IV six banks decided to exercise their option to redeem their term loans. As a consequence hereof, the redemption on 17 November 2011 amounted to EUR 145,342,130 equaling 85% of the Senior Tranche. The amount was derived from the transactions' swaps and the redeemed loans. The Senior Tranche after 17 November 2011 had a nominal amount of EUR 24,668,869 and was again partially redeemed on 19 November 2012 down to EUR 11,276,430. On the payment date in May 2013 one bank decided to exercise their option to

Directors' report (continued)

Activities (continued)

redeem their term loan so that the Senior Tranche was finally redeemed and the Mezzanine Tranche partially. The Senior Tranche after 17 May 2013 had a nominal amount of EUR 0 and the Mezzanine Tranche DKK 160,262,932. On the payment date in May 2014 one bank decided to exercise their option to redeem their term loan so that the Mezzanine Tranche was partially redeemed. The Mezzanine Tranche after 17 May 2014 had a nominal amount of DKK 85,262,932. On 17 November 2014 the Mezzanine Tranche was finally redeemed down to DKK 0. The cell is at the moment in a wind-down process.

Financial markets update

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 crisis and subsequently credit losses in the banks, also been a number of events and defaults in the ScandiNotes® subordinated loan portfolio. These events and defaults are further outlined below.

Protected Cell Company

The Company is a Protected Cell Company in accordance with the Companies (Guernsey) Law, 2008. 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.

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.

Directors' report (continued)

Events and defaults affecting the asset portfolio (continued)

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 were affected thereby.

EBH Bank failed to meet the solvency requirement and as a consequence made an agreement with The Financial Stability Company, Finansielt 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 Finansielt Stabilitet A/S in November 2008. 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 were affected thereby.

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. took 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. The Company's claim was acknowledged as a subordinate claim according to Art. 114 of the Act on Bankruptcy etc., no. 21/1991. The Winding-up Board is, according to Art. 119 of the Act on Bankruptcy etc., no. 21/1991, not required to take a stand with respect to a claim if it can be regarded as certain that nothing will be paid towards it upon distribution. With reference to Art. 119 the Winding-up Board will not take a stand on subordinate claims according to Art. 114 of the Act on Bankruptcy etc., no. 21/1991 as it is clear that no amount will be retrieved towards subordinate claims in the distribution of assets towards claims lodged against Spron. Therefore, according to this decision taken by the Winding-up Board, the Company's claim will not be retrieved. ScandiNotes® III was affected thereby.

In March 2009 Sparisjodabanki Islands (former Icebank) 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. In December 2010 the Winding-up Board informed that the claim will not be retrieved. ScandiNotes® III was affected thereby.

Fionia Bank signed in 2009 an agreement with Finansielt 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 Finansielt 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.

Directors' report (continued)

Events and defaults affecting the asset portfolio (continued)

On 23 April 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 of Account Bank, VP Agent (ScandiNotes® II-IV) and Custodian in relation to pledged collateral (ScandiNotes® III and IV) by a bank 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.

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. On 10 October 2011 Max Bank A/S announced that it would file a bankruptcy petition. ScandiNotes® III and ScandiNotes® IV were affected thereby.

Sparbanken Gripen, Sparbanken Finn and Sparbanken Syd merged with effect from 1 January 2011. Sparbanken Gripen participated in ScandiNotes® III and repaid its loan on 2 May 2011.

Morsoe Sparekasse and Morsoe Bank A/S merged on 1 November 2010. The new entity was called Fjordbank Mors A/S and participated in ScandiNotes® III and ScandiNotes® IV. On 26 June 2011 Fjordbank Mors announced that it would file a bankruptcy petition. ScandiNotes® III and ScandiNotes® IV were affected thereby.

On 7 February 2011 Amagerbanken Aktieselskab was declared bankrupt. Amagerbanken Aktieselskab participated in ScandiNotes® II, ScandiNotes® III and ScandiNotes® IV which were affected thereby.

On 15 March 2012, Sparekassen Farsø and Den Jyske Sparekasse merged, with Den Jyske Sparekasse as the continuing entity. Sparekassen Farsø participated in ScandiNotes® III and ScandiNotes® IV.

Sparekassen Østjylland has been partially taken over by Finansiell Stabilitet on 22 April 2012. This resulted in a default affecting ScandiNotes® IV (the bank also participated in ScandiNotes® III, but repaid its loan before the default).

On 5 November 2012, Tønder Bank A/S was declared bankrupt by the court of Sønderborg. Prior to the bankruptcy all assets were transferred to Sydbank A/S on 2 November 2012. Additionally, on 6 November 2012 the curator declared that none of the subordinated creditors/ subordinated loans has been taken over by Sydbank A/S. Tønder Bank A/S participated in ScandiNotes® III and IV.

On 14 November 2012, Spar Nord Bank A/S merged with Sparbank A/S, with Spar Nord Bank A/S as surviving entity. Spar Nord Bank A/S participated in ScandiNotes® III and ScandiNotes® IV.

Directors' report (continued)

Events and defaults affecting the asset portfolio (continued)

On 28 January 2013, Sparekassen Lolland A/S was declared bankrupt. Sparekassen Lolland A/S participated in ScandiNotes® III, which was affected thereby.

On 18 July 2014 Østjyds Bank A/S declared it would no longer make any payments of interest on ScandiNotes® III, as the bank does not fulfill the solvency requirements under the Danish Financial Business Act.

Portfolio losses outlined

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 agreements in place are the Liquidity Swaption and the Currency Option.

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 the amounts payable to the issuer on each payment date had been reduced from 2 per cent per annum on a notional amount of EUR 201,600,000 to 2 per cent per annum on a notional amount of EUR 196,868,600. The amount payable to the Issuer on the Termination Date of the Class A Swap had been reduced from EUR 201,600,000 to EUR 196,868,600. Because the Class A Swap was terminated on 1 November 2010, the Senior Tranche was redeemed down to EUR 95,231,400. Due to the bankruptcy of Amagerbanken Aktieselskab the Senior Tranche was further reduced to EUR 68,231,400. The loss for the Senior Note holders was further increased by the RA Events of Fjordbank Mors A/S in June and Max Bank A/S in October 2011 and thus reached, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes® III, 24.42% of the investment. On 2 May 2012 the Senior Tranche was further partially redeemed down to EUR 40,289,812. After the default of Tønder Bank A/S in November 2012 and Sparekassen Lolland A/S in January 2013 the amount left in the Senior Tranche was reduced to EUR 20,289,812. On 1 November 2013 the Senior Tranche was partially redeemed down to EUR 16,789,812. The Loss of Tranche is therefore 34.34%. This nominal amount is serviced by underlying loans amounting to EUR 12,500,000.

Directors' report (continued) **Portfolio losses outlined (continued)**

ScandiNotes® IV

Due to the RA events, there will be a shortfall in the cash flow required by the issuer to service payments due under the notes. Thus, the Class C Swap has been terminated and the Class B Swap has been reset to reflect the loss of cash flow from the above mentioned defaulted banks participating in ScandiNotes® IV.

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® IV, 100% of the investment.

Effects on the Mezzanine Tranche

The principal of the Class B Mezzanine Tranche Notes had been reduced from an original notional amount of DKK 879,571,000 to DKK 727,400,000 before 2011, being the amount on which the Issuer expected an ongoing rate of interest equal to 3% per annum. This notional amount had been further reduced to DKK 528,166,376 after the bankruptcy of Amagerbanken Aktieselskab as of 7 February 2011 and to DKK 276,106,930 after the bankruptcy of Fjordbank Mors A/S, MaxBank A/S, Sparekassen Oestjylland and Tønder Bank A/S. The reduction in principal was shared on a pro-rata basis by the Mezzanine Tranche Class B note holders. This means that there has been a reduction of interest and principal on the Mezzanine Tranche Class B Notes. The loss for the Mezzanine Note holders is, subject to any potential recoveries from the above mentioned defaulted banks participating in ScandiNotes® IV, 68.61% of the investment. After 17 November 2011 interest is payable on a semi-annual basis. On 17 November 2014 the Mezzanine Tranche was finally redeemed down to nil.

Effects on the Senior Tranche

The RA events have not affected the original notional amount of EUR 170,011,000 in the Senior Tranche. The reductions of the nominal down to EUR 24,668,869 and again down to EUR 11,276,430 on 19 November 2012 and down to nil on 17 May 2013 are the result of prepayments of the underlying loans.

Results and dividends

ScandiNotes® III and ScandiNotes® IV have both been impacted by increased credit risks and defaults leading to losses for the investors as described.

The result for the period is shown in the income statement on page 15. The Directors have not declared a dividend for 2014.

Directors' report (continued) **Portfolio losses outlined (continued)**

Going concern

The Directors have not adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of non-going concern. The Directors have a reasonable expectation that the Company will be wound down when the remaining loans and notes mature. As the Company expects to cease trading and is likely to enter the liquidation process within 12 months, the accounts have not been prepared on a going concern basis. For ScandiNotes® IV, the underlying loans matured on 17 November 2014. Since then, the cell is being wound down.

For ScandiNotes® III, the underlying loans will mature on 30 October 2015. After this time, the cell will be closed. The costs of the cells are mainly covered by the 6month EURIBOR in SN III on the loan side and are capped at 0.15% per annum of the outstanding principal amount of the Repackaging Assets. Depending on the development of the 6m EURIBOR there is a risk that not all costs exceeding the cap can be covered in accordance with the transaction's waterfall. However to ensure that the cell remains viable and have adequate resources to continue its operational existence until the maturity of the remaining loan, the Operations Services Provider, HSH Nordbank AG, has agreed, if required, to waive or reduce its fees. It is the opinion of the Board of Directors that this undertaking will be sufficient to ensure the continuation of the cell's operations until its orderly closure. The financial statements do not include any provision for the future costs of terminating the business of the Company as the costs are expected to be immaterial. In the opinion of the Directors, the Company's assets are stated at net realizable value, approximating their fair value.

Administrator

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

The Company's registered office is at PO Box 212, St Martins House, Le Bordage, 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 period were:

David Gary Gough
Wayne Bulpitt

Directors' statement of responsibilities

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 the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to 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.

In preparing these 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. As explained in note 2, the Directors do not believe it is appropriate to prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditor

The auditor is KPMG Channel Islands Limited who is eligible for re-appointment.

By order of the Board



Wayne Bulpitt
Director



David Gary Gough
Director

Mare Baltic PCC Limited
Interim report

Financial Statements
1 January to 30 June 2015
(Unaudited)


Mare Baltic PCC Limited – 30 June 2015

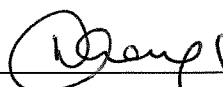
(All amounts in EUR thousands unless otherwise stated)

Statement of financial position – Aggregated

	Note	As at 30.06.15	As at 31.12.2014	As at 30.06.14
ASSETS				
Non-current assets				
Loans receivable		-	-	21,962
Derivative financial instruments	6	-	-	-
Total non-current assets		-	-	21,962
Current assets				
Loans receivable		9,191	6,116	-
Derivative financial instruments	6	-	-	241
Interest receivable	7	494	299	93
Other receivable		2	2	7
Cash and cash equivalents	8	2,341	2,573	4,166
Total current assets		12,028	8,990	4,507
Total assets		12,028	8,990	26,469
EQUITY				
Called up share capital	9	12	12	12
Retained earnings		2,736	2,597	4,092
Total equity		2,748	2,609	4,104
LIABILITIES				
Non-current liabilities				
Notes issued	10,14	-	-	22,203
Derivative financial instruments	6	-	-	-
Total non-current liabilities		-	-	22,203
Current liabilities				
Notes issued	10,14	9,191	6,116	-
Derivative financial instruments	6	-	-	-
Creditors		24	209	-
Accrued interest	11	65	56	162
Total current liabilities		9,280	6,381	162
Total liabilities		9,280	6,381	22,365
Total equity and liabilities		12,028	8,990	26,463

The financial statements on pages 12 to 54 were approved by the Board of Directors on 1 September 2015 and were signed on its behalf by:





All amounts in EUR thousands unless otherwise stated)

Income statement – Aggregated

	Note	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Revenue				
Loan interest		198	823	451
		198	823	451
Expenditure				
Note interest		(12)	(975)	(523)
Interest on derivative financial instruments		-	504	262
Operational expenses		(47)	(336)	(57)
		(59)	(807)	(318)
Operating surplus		139	16	133
Realized and unrealized loss on derivative financial instruments		-	(512)	(270)
Realized and unrealized loss on notes		3,075	(7,166)	(5,339)
Realized and unrealized gain on loans		(3,075)	6,300	5,609
		-	(1,378)	-
Net result for the year		139	(1,362)	133

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income – Aggregated

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Net result for the year	139	(1,362)	133
Other comprehensive income			
Value adjustments for the year	-	-	-
Total other comprehensive income	-	-	-
	139	(1,362)	133
Total comprehensive income for the year is attributable to:			
Shareholders of Mare Baltic PCC Limited	139	(1,362)	133
	139	(1,362)	133

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Aggregated

	Called up share capital	Retained earnings	Total equity
Balance at 1 January 2014	12	3,959	3,971
Total comprehensive income for the year	-	(1,362)	(1,362)
Balance at 30 June 2014	12	2,597	2,609
Balance at 1 January 2015	12	2,597	2,609
Total comprehensive income for the year	-	139	139
Balance at 30 June 2015	12	2,736	2,748

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement - All cells aggregated

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Cash flows from operating activities			
Operating result for the year	139	16	133
(Increase)/decrease in interest receivable	(195)	(133)	73
(Increase)/decrease in other receivable	-	2	(3)
Increase/(decrease) in accrued interest	9	(103)	3
Increase/(decrease) in creditors	(185)	(1)	(210)
Net cash (used in)/generated from operating activities	(232)	(219)	(4)
Cash flows from investing activities			
Loans repaid	-	20,114	10,048
Net cash generated from investing activities	-	20,114	10,048
Cash flows from financing activities			
Repayment of notes	-	(21,492)	(10,048)
Repayment of capital	-	-	-
Net cash flows used in financing activities	-	(21,492)	(10,048)
Net (decrease)/increase in cash and cash equivalents	(232)	(1,597)	(4)
Cash and cash equivalents at the beginning of the year	2,573	4,170	4,170
Cash and cash equivalents at the end of the year	2,341	2,573	4,166

Statement for Cell 1 – 2003 (unaudited)

Activities

Both the Senior and Junior Tranche of ScandiNotes® I were redeemed for a total of DKK 434,129,000 on 7 June 2008 as expected, following the repayment of the underlying assets in full with the approval by the Danish Financial Supervisory Authority.

The obligations of Cell 1 – 2003 had been fully discharged, all Note holders having been fully repaid upon redemption, and the cell was closed in August 2009.

Statement for Cell 1 – 2004 (unaudited)

Activities

The Senior Tranche of ScandiNotes® II was redeemed for a total of DKK 635,725.70 on 1 November 2012, following the repayment of the underlying assets in full with the approval by the Danish Financial Supervisory Authority.

The Junior Tranche of ScandiNotes® II had a loss of 100%.

The remaining obligations of Cell 1 – 2004 having been fully discharged and all remaining Note holders having been fully repaid upon redemption, the cell was closed in December 2013.

Statement for Cell 1 – 2005 (unaudited)

Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans issued by 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 therefrom. The cells' notes are listed on the OMX Nordic Exchange Copenhagen.

The third cell, Cell – 1 2005 (ScandiNotes® III), was like ScandiNotes® I and ScandiNotes® II, based on subordinated capital for financial institutions, but for this issue to Nordic Financial institutions. The issue was launched on 1 November 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 Ca.

During 2014 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 agreements are the Liquidity Swaption and the Currency Option.

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, 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, subject to any potential recoveries, 100% of the investment.

Effects on the Senior Tranche

On the first possible redemption date for participating banks eight banks decided to exercise their option to redeem their term loan. As a consequence thereof the Senior Notes have been redeemed accordingly on 1 November 2010 in an amount of EUR 106,368,600, equalling 53% of the Senior Notes. The amount derives from the underlying derivative financial instruments and the redeemed loans. On 29 April 2011 Sparebanken Gripen AB (publ) decided to exercise its option to redeem its loan and a principal payment of EUR 441,588 was made. On 2 May 2012 Den Jyske Sparekasse redeemed its loan and paid including principal a sum of EUR 5,117,238. On 1 November 2013 Totalbanken redeemed its loan. The sum of all redemptions is therefore EUR 120,427,426.

After the RA events of Amagerbanken Aktieselskab in February 2011, Fjordbank Mors A/S in June 2011, Max Bank A/S in October 2011, Tønder Bank A/S in November 2012 and Sparekassen Lolland A/S in January 2013 the Senior Tranche had a nominal amount of EUR 16,789,812. This nominal amount is serviced by underlying loans amounting to EUR 12,500,000. The loss for the Senior Notes holders is, subject to any potential recoveries from the defaulted banks participating in ScandiNotes® III, 34.34% of the investment.

Statement for Cell 1 – 2005 (continued)
Effects on the Senior Tranche (continued)

Results and dividends

The results for the period are shown in the income statement on page 23.

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of financial position – Cell 1 – 2005

	Note	As at 30.06.15	As at 31.12.14	As at 30.06.14
ASSETS				
Non-current assets				
Loans receivable		-	-	11,535
Total non-current assets		-	-	11,535
Current assets				
Loans receivable		9,191	6,116	-
Interest receivable	7	494	299	53
Other receivable		2	2	2
Cash and cash equivalents	8	2,051	2,171	2,205
Total current assets		11,738	8,588	2,260
Total assets		11,738	8,588	13,795
EQUITY				
Called up share capital	9	1	1	1
Retained earnings		2469	2,311	2,229
Total equity		2,470	2,312	2,230
LIABILITIES				
Non-current liabilities				
Notes issued	10	-	-	11,535
Total non-current liabilities		-	-	11,535
Current liabilities				
Notes issued	10	9,191	6,116	-
Creditors		12	104	-
Accrued interest	11	65	56	30
Total current liabilities		9,268	6,276	30
Total liabilities		9,268	6,276	11,565
Total equity and liabilities		11,738	8,588	13,795

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2005

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Revenue			
Loan interest	198	427	175
	198	427	175
Expenditure			
Note interest	(12)	(63)	(32)
Interest on derivative financial instruments	-	-	-
Operational expenses	-28	(167)	(28)
	(40)	(230)	(60)
Operating surplus	158	197	115
Realized and unrealized loss on derivative financial instruments			1
Realized and unrealized loss on notes	3,075	(3,366)	(2,313)
Realized and unrealized gain on loans	(3,075)	3,366	2,312
	-	-	-
Net result for the year	158	197	115

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income – Cell 1 – 2005

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Net result for the year	158	197	115
Other comprehensive income			
Value adjustments for the year	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	158	197	115
Total comprehensive income for the year is attributable to:			
Shareholders of the cell	158	197	115
	158	197	115

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2005

	Called up share capital	Retained earnings	Total Equity
Balance at 1 January 2014	1	2,114	2,115
Net result for the year	-	197	197
Balance at 30 June 2014	1	2,311	2,312
Balance at 1 January 2015	1	2,311	2,312
Net result	-	158	158
Balance at 30 June 2015	1	2,469	2,470

Mare Baltic PCC Limited – 30 June 2015

All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2005

Note	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Cash flows from operating activities			
Operating result for the year	158	197	115
(Decrease)/increase in interest receivable	(195)	(213)	33
(Increase)/decrease in other receivable		-	2
Increase/(decrease) in accrued interest	9	30	4
(Decrease)/increase in creditors	(92)	(3)	(109)
Net cash generated from operating activities	(120)	11	45
Cash flows from investing activities			
Loans repaid	-	-	-
Net cash generated from investing activities	-	-	-
Cash flows from financing activities			
Repayment of notes	-	-	-
Net cash used in financing activities	-	-	-
Net increase in cash and cash equivalents	(120)	11	45
Cash and cash equivalents at the beginning of the year	2,171	2,160	2,160
Cash and cash equivalents at the end of the year	2,051	2,171	2,205

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 cell's notes are listed on the OMX Nordic Exchange Copenhagen.

The fourth cell, Cell 1 – 2006 (ScandiNotes® IV), is like ScandiNotes® I and ScandiNotes® II based on subordinated capital for Danish financial institutions. The issue was launched on 17 November 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 B3. The cell is at the moment in a wind-down process.

In 2011, the Class C Swap has been terminated in part and the Class B Swap was reset to reflect the loss of cash flow. The interest rate hedging agreements (Class A Swap and Class B Swap) terminated on 17 November 2011. The maturity date of the remaining Floor Transaction was 16 November 2014.

During 2014 all known delegated responsibilities have been complied with. On 17 November 2014 a final payment on the Notes was made.

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, subject to any potential recoveries, 100% of the investment.

Effects on the Mezzanine Tranche

The principal of the Class B Notes Mezzanine Tranche has been reduced from an original notional amount of DKK 879,571,000 to DKK 326,106,930 in 2011 after several RA events. After the default of Tønder Bank A/S in November 2012 the amount left in the Mezzanine Tranche was further reduced to DKK 276,106,930. On 17 May 2013 the Mezzanine Tranche was redeemed down to DKK 160,262,932. On 17 May 2014 the Mezzanine Tranche was redeemed down to DKK 85,262,932. That is the result of a prepayment of the underlying loans. The reduction in principal was shared on a pro-rata basis by the Class B Mezzanine Tranche note holders. The loss for the Mezzanine note holders is thus, subject to any potential recoveries from the defaulted banks participating in ScandiNotes® IV, 68.61% of the investment. After 17 November 2011 interest is payable on a semi-annual basis. On 17 November 2014 the Mezzanine Tranche was finally redeemed down to nil.

Effects on the Senior Tranche

On the first possible redemption date, six participating banks decided to exercise their option to redeem their term loan. As a consequence thereof the Senior Notes were redeemed accordingly on 17 November 2011 in an amount of EUR 145,342,130 equalling 85.49% of the Senior Notes. The amount derives from the underlying derivative financial instruments and the redeemed loans. After 17 November 2011 the Senior Tranche had a nominal amount of EUR 24,668,869 and was again partially redeemed on 19 November 2012 down to EUR 11,276,430. On 17 May 2013 the Senior Tranche was finally redeemed down to nil.

Statement for Cell 1 – 2006 (continued)

Results and dividends

The results for the period are shown in the income statement on page 30.

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of financial position – Cell 1 – 2006

	Note	As at 30.06.15	As at 31.12.14	As at 30.06.14
ASSETS				
Non-current assets				
Loans receivable		-	-	10,427
Derivative financial instruments		-	-	241
Total non-current assets		-	-	10,668
Current assets				
Derivative financial instruments	6	-	-	241
Interest receivable	7	-	-	40
Other receivable		-	-	5
Cash and cash equivalents	8	279	391	1,950
Total current assets		279	391	1,995
Total assets		279	391	12,663
EQUITY				
Called up share capital	9	1	1	1
Retained earnings		266	285	1,862
Total equity		267	286	1,863
LIABILITIES				
Non-current liabilities				
Notes issued	10	-	-	10,668
Total non-current liabilities		-	-	10,668
Current liabilities				
Creditors		12	105	-
Accrued interest	11	-	-	132
Total current liabilities		12	105	132
Total liabilities		12	105	10,800
Total equity and liabilities		279	391	12,663

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2006

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Revenue			
Loan interest	-	396	276
	-	396	276
Expenditure			
Note interest	-	(912)	(491)
Interest on derivative financial instruments	-	504	262
Operational expenses	(19)	(169)	(29)
	(19)	(577)	(258)
Operating surplus	(19)	(181)	18
Realized and unrealized loss on derivative financial instruments	-	(512)	(271)
Realized and unrealized loss on notes	-	(3,800)	(3,026)
Realized and unrealized gains on loans	-	2,934	3,297
	-	(1,378)	-
Net result for the year	(19)	(1,559)	18

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income – Cell 1 – 2006

	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Net result for the year	(19)	(1,559)	18
Other comprehensive income			
Value adjustments for the year	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	(19)	(1,559)	18
Total comprehensive income for the year is attributable to:			
Shareholders of the cell	(19)	(1,559)	
Shareholders of Mare Baltic PCC Limited			18
	(19)	(1,559)	18

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2006

	Called up share capital	Retained earnings	Total Equity
Balance at 1 January 2014	1	1,844	1,845
Net result for the year	-	(1,559)	(1,559)
Balance at 30 June 2014	1	285	286
Balance at 1 January 2015	1	285	286
Net result	-	(19)	(1)
Balance at 30 June 2015	1	266	267

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2006

	Note	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Cash flows from operating activities				
Operating result for the year		(19)	(181)	18
Decrease in interest receivable		-	180	40
Decrease in other receivable		-	2	-
Decrease in accrued interest		-	(133)	(1)
Increase in creditors		(93)	2	(106)
Net cash (used in)/generated from operating activities		(112)	(230)	(49)
Cash flows from investing activities				
Loans repaid		-	20,114	10,048
Net cash generated from investing activities		-	20,114	10,048
Cash flows from financing activities				
Repayment of notes		-	(21,492)	(10,048)
Net cash used in financing activities		-	(21,492)	(10,048)
Net (decrease)/increase in cash and cash equivalents				
		(112)	(1,608)	(49)
Cash and cash equivalents at the beginning of the year		391	1,999	1,999
Cash and cash equivalents at the end of the year		279	391	1,950

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of financial position – Non-cellular

	Note	As at 30.06.15	As at 31.12.14	As at 31.06.14
ASSETS				
Current assets				
Cash and cash equivalents	8	11	11	11
Total current assets		11	11	11
Total assets		11	11	11
EQUITY				
Called up share capital	9	10	10	10
Retained earnings		1	1	1
Total equity		11	11	11
Total equity and liabilities		11	11	11

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Income statement – Non-cellular

	Note	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Revenue				
Loan interest		-	-	-
		-	-	-
Expenditure				
Note interest		-	-	-
Interest on derivative financial instruments		-	-	-
Operational expenses		-	-	-
		-	-	-
Operating surplus		-	-	-
Realized and unrealized gains on derivative financial instruments		-	-	-
Realized and unrealized gains on loans		-	-	-
Realized and unrealized gains on notes		-	-	-
		-	-	-
		-	-	-
Net result for the year		-	-	-

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Non-cellular

	Called up share capital	Retained earnings	Total Equity
Balance at 1 January 2014	10	1	11
Profit for the year	-	-	-
Balance at 30 June 2014	10	1	11
Balance at 1 January 2015	10	1	11
Profit	-	-	-
Balance at 30 June 2015	10	1	11

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Non-cellular

	Note	Half-year ended 30.06.15	Full-year ended 31.12.14	Half-year ended 30.06.14
Cash flows from operating activities				
Operating profit for the year		-	-	-
(Increase)/decrease interest receivable		-	-	-
(Increase)/decrease other receivable		-	-	-
Increase/(decrease) accrued interest		-	-	-
Increase/(decrease) creditors		-	-	-
Net cash generated from operating activities		-	-	-
Cash flows from investing activities				
Loans advanced		-	-	-
Derivative financial instruments advanced		-	-	-
Notes advanced		-	-	-
Net cash generated from investing activities		-	-	-
Cash flows from financing activities				
Dividends paid		-	-	-
Net cash generated financing activities		-	-	-
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		11	11	11
Cash and cash equivalents at the end of the year		11	11	11

Notes to the financial statements

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 financial statements are set out below.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU ("IFRS") and interpretations issued by the IFRS Interpretations Committee. They give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

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 fall 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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

None of the new standards or interpretations are expected to materially affect the Company's recognition and measurement, and future financial reporting.

2.2 Operating segments

Segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company which makes strategic decisions.

2.3 Going concern

As the Company expects to cease trading and is likely to enter the liquidation process within 12 months the accounts have not been prepared on a going concern basis. The financial statements do not include any provision for the future costs of terminating the business of the Company as the costs are expected to be immaterial. In the opinion of the Directors, the Company's assets are stated at net realisable value, approximating their fair value.

2.4 Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, 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 loans and notes issued, as the notes in the current market are no longer 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 derivative financial instruments.

In 2014, the fair value of the notes, as in previous years, 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 judgement 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Protected Cell Company

The Company is a Protected Cell Company in accordance with the provisions of the Companies (Guernsey) Law, 2008. 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.

2.6 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 valuation models. The gains or losses on the notes do not include the interest expenses of the notes.

2.7 Derivative financial instruments

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

2.8 Loans receivable

Loans receivable are classified as financial assets at fair value through profit or loss. The loans are initially recognized at fair value on the date of purchase and subsequently at their 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. The gains or losses on the loans do not include the interest income of the loans.

2.9 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.

2.10 Functional and reporting currency

The functional currency is 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 being denominated in EUR.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Foreign currencies

Monetary assets and liabilities are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are translated into the functional currency 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 in which they arise.

2.12 Interest income and expenses

Interest income and expenses are recognized on an accruals basis.

2.13 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.

2.14 Employees

The Company had no employees during the year ended 30 June 2015 (2014: no employees).

3. Prior year adjustment

The loans receivable and notes issued balances have been restated since the issue of the prior year annual report following the identification of errors within the valuation model used to value the loans in Cell 1 – 2005 for the prior year annual report. The error resulted in the prior year balance for both loans receivable and notes payable balances being overstated by EUR 6,473 thousand. The loss on notes and gain on loans were therefore also overstated by EUR 6,473 thousand in the income statement and statement of cash flows.

As the adjustments net out to zero there is no impact on the 2013 net result for the year or the opening reserves for 2014.

Notes to the financial statements (continued)

4. Operating segments

The Company is domiciled in Guernsey. The Company is engaged in a single segment of business, investing in subordinated loans. In presenting information on the basis of a geographical split, investments and derivative financial instruments and the corresponding net investment income arising thereon are determined based on the domicile countries of the respective investment entities and derivative counterparties.

The Board of Directors is determined as constituting the chief operating decision maker of the Company.

As disclosed in the Directors' report on page 4, the Company principally invests in subordinated loans and interest rate swaps

The Company also has a highly diversified investor population and no individual investor is known to own more than 10% of the Notes issued by the Company.

Geographical split based on country of domicile

As disclosed in the Directors' report on pages 4 and 5, ScandiNotes® I, ScandiNotes® II and ScandiNotes® IV are based on subordinated loans for Danish Banks.

ScandiNotes® III is based on subordinated loans for Nordic Institutions, which besides Danish Banks comprised two Icelandic, one Swedish and two Norwegian banks. Events and defaults affecting the asset portfolio in regards to the Icelandic banks are disclosed in the Directors' report on page 7. The subordinated loans to the Swedish and Norwegian banks amounted to respectively nominal nil at 31 December 2014 (2013: nil) as the last remaining loan of EUR 5 million to a Swedish bank was repaid in May 2011. Loan interest in ScandiNotes® III arising from the Swedish bank amounted to nil for 2014 (2013: nil).

Net investment income arising from derivative financial instruments is related to Danish counterparties.

5. 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.

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Derivative financial instruments

Derivative financial instruments 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 30 June 2015 and some swaps have been terminated partly or fully during the year.

Related risk position	Maturity date	Notional amount	Pay/ receive	Interest %	Fair value 30 June 2015	Fair value 30 June 2014
Cell 1 - 2005						
EUR						
Liquidity	01/05 2014	EUR 12,500,000	(receive)	0.7210	-	-
Swap	01/05 2015	EUR 12,500,000	(pay)	0.7310		
EUR						
Liquidity	01/11 2015	EUR 12,500,000			-	-
Swaption						
Current assets					-	-
Non-current assets					-	-
Current liabilities					-	-
Non-current liabilities					-	-

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Derivative financial instruments (continued)

Related risk position	Maturity date	Notional amount	Pay/ receive	Interest %	Fair value 30 June 2015	Fair value 30 June 2014
Cell 1 - 2006						
Floor	16/11 2014	DKK 765,000,000	(receive)		-	241
DKK liquidity swap option	17/11 2014	DKK 84,110,898	(receive)		-	-

Aggregate all cells	2015	2014
Non current assets		-
Current assets		-
Non current liabilities		-
Current liabilities		-

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

7. Interest receivable

	As at 30.06.15	As at 31.12.14	As at 30.06.14
Cell 1 – 2005			
Interest receivable, loans	485	287	36
Interest receivable, derivative financial instruments	9	12	17
	494	299	53
Cell 1 – 2006			
Interest receivable, loans	-	-	40
Interest receivable, derivative financial instruments	-	-	-
	-	-	40
	494	299	93

8. Cash and cash equivalents

	As at 30.06.15	As at 31.12.14	As at 30.06.14
Cell 1 – 2005			
Royal Bank of Scotland International Guernsey	1	1	1
Nordea-Denmark	2,050	2,170	2,204
	2,051	2,171	2,205
Cell 1 – 2006			
Royal Bank of Scotland International Guernsey	1	1	1
Nordea-Denmark	278	390	1,949
	279	391	1,950
Non-cellular			
Royal Bank of Scotland International Guernsey	11	11	11
	11	11	11
	2,341	2,573	4,166

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

9. Called up share capital

	As at 30.06.15	As at 31.12.14	As at 30.06.14
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
	12	12	13

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

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

The Company is a Protected Cell Company and has no specific capital requirements.

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

10. Notes issued

	As at 30.06.15		As at 30.06.14	
	Notional amount/left in tranche 30 June	Fair value	Notional amount/left in tranche 30 June	Fair value
Cell 1 – 2005				
Series 2015-1 EUR				
ScandiNotes® III				
2.753 % limited recourse secured asset backed notes due 2015 (senior)				
	EUR'000		EUR'000	
	16,790	9,191	20,290	11,535
Series 2015-1 DKK				
ScandiNotes® III				
2 % limited recourse secured asset backed notes due 2015 (mezzanine)				
	DKK'000		DKK'000	
	-	-	-	-
Series 2015-1 DKK				
ScandiNotes® III				
2 % (2007) 0.22362 (2008) limited recourse secured asset backed notes due 2015 (junior)				
	DKK'000		DKK'000	
	-	-	-	-
		9,191		11,535

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

10. Notes issued (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 with 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 derivative financial instruments are terminated. The Company's notes are listed on the OMX Nordic Exchange Copenhagen.

11. Accrued interest

	As at 30.06.15	As at 31.12.14	As at 30.06.14
Cell 1 – 2005			
Interest payable, notes	56	44	13
Interest payable, derivative financial instruments	9	12	17
	65	56	30
Cell 1 – 2006			
Interest payable, notes	-	-	132
	-	-	132
Aggregate all cells	65	56	162

Notes to the financial statements (continued)

12. Taxation

The Company is taxed in Guernsey at the standard rate of 0%.

13. Parent company

The Company is owned by the Mare Baltic Charitable Trust.

14. 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, and 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 derivative financial instruments, as detailed in note 5, 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 waterfall 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 derivative financial instruments and notes are disclosed in note 5 and 9.

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

The values of the derivative financial instruments are calculated on the basis of a model that takes into account, inter alia, the key input of yield curves.

Notes to the financial statements (continued)

14. Financial instruments (continued)

14.1 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 significant net interest rate risk to the Company as the interest rate risk is fully hedged.

14.2 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.

14.3 Credit risk and counterparty risk

Credit risk is the risk of default by the loan debtors and derivative financial instruments 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 derivative financial instruments agreement secured as collateral for the notes. The Company therefore has no net exposure to any non-performing financial agreements.

The Company's credit risk on deposits with banks and financial institutions is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

14.4 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 investments and the derivative financial instruments agreement secured as collateral for the notes and both the loans and notes are not traded and prices cannot be observed.

Mare Baltic PCC Limited – 30 June 2015

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

14. Financial instruments (continued)

14.5 Categories of financial instruments (Aggregated)

	As at 30.06.15		As at 30.06.14	
	Carrying amount	Fair Value	Carrying amount Restated	Fair Value Restated
Loans receivable	9,191	9,191	21,962	21,962
Derivative financial instruments	-	-	241	241
Financial assets measured at fair value via the income statement	9,191	9,191	22,203	22,203
Interest receivables	494	494	93	93
Other receivables	2	2	7	7
Cash and cash equivalents	2,341	2,341	4,166	4,166
Loans and receivables	2,837	2,837	4,266	4,266
Notes	9,191	9,191	22,203	22,203
Financial liabilities measured at fair value via the income statement	9,191	9,191	22,203	22,203
Creditors	24	24	-	-
Accrued interest	65	65	162	162
Financial liabilities measured at amortised cost	89	89	162	162

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

14. Financial instruments (continued)

14.6 Fair value hierarchy (Aggregated)

	As at 30.06.15			
	Quoted prices (level 1)	Obser- vable inputs (level 2)	Non- observable inputs (level 3)	Total
Financial assets				
Loans receivable	-	-	9,191	9,191
Derivative financial instruments	-	-	-	-
Total financial assets	-	-	9,191	9,191
Financial liabilities				
Notes	-	-	9,191	9,191
Derivative financial instruments	-	-	-	-
Total financial liabilities	-	-	9,191	9,191

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

14. Financial instruments (continued)

14.6 Fair value hierarchy (Aggregated) (continued)

	As at 30.06.14			Total
	Quoted prices (level 1)	Observable inputs (level 2)	Non-observable inputs (level 3)	
Financial assets				
Loans				
Receivables	-	-	21,962	21,962
Derivative financial Instruments	-	241	-	241
Total financial Assets	-	241	21,962	22,203
Financial liabilities				
Notes	-	-	22,203	22,203
Derivative financial Instruments	-	-	-	-
Total financial Liabilities	-	-	22,203	22,203

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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.

Transfers between Levels are applied at the end of the period.

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

14. Financial instruments (continued)

14.7 Financial instruments based on non-observable inputs (Aggregated)

	As at 30.06.15	
	Financial assets (level 3)	Financial liabilities (level 3)
Opening at 1 January 2015		
Gains and losses recognised in income statement	6,116	6,116
Loans repaid	3,075	3,075
Repayment of notes	-	-
Currency adjustment	-	-
Closing at 31 June 2015	9,191	9,191
	As at 30.06.14	
	Financial assets (level 3)	Financial liabilities (level 3)
Opening at 1 January 2014		
Gains and losses recognized in income statement	24,792	25,808
Loans repaid	15,370	14,999
Repayment of notes	(26,821)	-
Currency adjustment	-	(26,821)
	11	11
Closing at 31 June 2014	13,352	13,997

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

There have been no transfers in or out of Level 3 during the year.

The fair value of financial instruments is significantly affected by the non-observable inputs used. The key assumptions may change as market conditions change.

A sensitivity analysis by making a parallel shift of +/- 10% of the probability of default for participating banks shows that the financial assets and financial liabilities will decline by approximately EUR 0.5 million or increase by approximately EUR 0.5 million at 31 December 2014.

15. Events after the balance sheet date

No events after the balance sheet date.